

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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NEW GIFT TAX...DEFENSE BOND PROMOTION...BANK LIQUIDITY...MAIN STREET



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Just a Minute



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Timely

IN THIS issue of BANKING you'll find two coversful of unusually timely articles. Professor LEACOCK offers price-conscious American readers an account of Canada's price-fixing experiment, salting his remarks with enough Leacockisms to keep you expectant. The old cartoons used as illustrations recall another day when prices and inflation were a topic of the times.

Then there's the fund-freezing article, wherein Mr. Bratter shows what banks can do, and are doing, to help the Treasury keep free dollars from falling into unfriendly hands.

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*The Lamp that
Saves Lives....
The Paper that
Saves Money*



In former days, the lamp worn on the coal miner's cap was a constant source of danger. It often ignited mine gas or coal dust, causing explosion and loss of life. The safety lamp now in use is security against this peril. Before the days of La Monte Safety Papers, checks and drafts were subject to the dangers of easy alteration and counterfeiting. Inventive genius in each case brought the assurance of safety. In the mine, the safety lamp has saved lives. In banking and business, safety paper has given immeasurable security to checks and other documents involving dollars, against alteration and forgery. » » La Monte Safety Papers are the modern standard of protection, bringing to bankers and business heads everywhere the satisfying sense of freedom from concern over the daily outpouring of checks and other valuable instruments of our commercial activities. » » Their use and endorsement by 75% of the country's leading banks and by leading business houses, is clear evidence of their safety value . . . Your Lithographer or Printer will be glad to show you how your own trademark can be made part of the paper itself.

LA MONTE *Safety* PAPER



GEORGE LA MONTE & SON
Nutley, New Jersey



JUST A MINUTE—Continued

Some of the problems encountered by banks in connection with control of foreign funds are reported, and the net result is a really helpful contribution (as the book reviewers like to say) to current banking literature.

These Are Timely, Too

THE CAREFUL reader doesn't always judge the importance of a newspaper story by the size of its headline.

Through this issue are scattered several articles we didn't have room to "feature"; but nevertheless they're well worth finding and reading. We have in mind the LOWE-WRIGHT informative discussion of the new gift tax law; the article on wage and hour records, with special regard to what records should be kept; the Legal Answer Page comment on Social Security for bank employees; and the Editorial page references to priorities and the question of bank salaries.

Messrs. Hemingway and Wiggins

DURING the recent convention of the American Bankers Association at Chicago, ALBERT W. Atwood had interviews with the new A.B.A. vice-presidents, WILSON LINN HEMINGWAY and A. LEE M. WIGGINS.

The result is incorporated in the interesting "Meet the Vice-presidents." You'll find them on page 76.

Suggestion

FROM DEBANKS M. HENWARD, JR., vice-president of the First Trust & Deposit Company, Syracuse, New York, comes a letter enclosing a lead seal of the type generally used in the transfer of money.

"One of our defense-minded employees," writes Mr. HENWARD, "called our attention to the fact that at the present time the used seals are dis-

Obsolescence

WITH each passing month the need for disposing of other real estate becomes more pressing. The factor of obsolescence due to the improved utility and better design of new houses is a major cause for the loss in value of older properties. Is it not likely that this process of obsolescence will be accelerated by many forces set in motion by the war?—WILLIAM R. WHITE, New York State Superintendent of Banks.



"Don't bother entering it on my savings account . . . my wife will be down for it before lunch"

carded without thought of the possibility of using them in industry. Upon investigating the matter I find that we receive five to ten thousand of these seals a year and assume that the same condition prevails in many other banks.

"I should like to compliment our employee, Mr. HENRY HIXSON, who is a commercial teller, and wonder whether you would be interested in publicizing his suggestion in your magazine."

We're glad to do so. It has already been reported that collection of waste metals and paper would soon be started as a defense conservation measure, and lead seals would seem to be a contribution that banks could make easily.

Bulletin from Zippertown

MEADVILLE, Pennsylvania, oversubscribed its community chest fund this Fall.

Before you lift your eyebrows and say "So what? Ours was oversubscribed, too," remember that Meadville, the zipper town, received wide publicity a few weeks ago as a city whose boom was seriously threatened by priorities that passed by the manufacture of slide fasteners.

But the Meadville folks did their bit. Writes JOHN D. BAINER, general chairman of the Meadville Community Chest:

"After all the publicity Meadville has received in *Time*, *The Reader's Digest* and other leading newspapers and periodicals, I thought it would be of interest to you and some of your readers to know that the Meadville Community Chest was oversubscribed—this in spite of the fact that Meadville's leading industry has laid off approximately 800 people to date and is threatened

(CONTINUED ON PAGE 5)

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JUST A MINUTE—Continued

with further curtailment of production, employment and payrolls due to the shortage of certain necessary metals.

"On the basis of the prosperity enjoyed by this community up to this time, the people of the community have fully met their obligations to the community chest. The leaders of the community have therefore taken this as evidence of the faith of its inhabitants that the Government will cooperate with them to the fullest extent."

Mr. BAINER is vice-president and cashier, Merchants National Bank and Trust Company, Meadville.

Teller Edwards Offers 50,000 Per Cent Profit

GOING BACK to "Tell Me, Teller" in the October magazine, you may remember that Author C. B. EDWARDS of Wichita, Kansas, admonished his readers not to say pennies when they meant cents.

Whereupon L. H. GAUGERT of the First National Bank, Heron Lake, Minnesota, did some rummaging in his memory, or among old papers, or both. Having rummaged, he deposed to BANKING as follows:

"I notice in Circular No. 410, August 15, 1934, of the Federal Reserve Bank of Minneapolis, 'Currency and Coin Shipments'... that not more than \$1,000 in silver, \$250 in nickels, or \$100 in pennies should be placed in one sack."

Mr. GAUGERT then asked, in effect, How come?

This looked like the makings of something, so we turned the letter over to Mr. EDWARDS, who is chief of The Fourth National Bank in Wichita. He said:

"Congratulations to Mr. GAUGERT

Deposits

FROM the point of view of monetary and fiscal policy, it is, no doubt, preferable for the Government to finance its requirements, as far as possible, by the utilization of existing deposits rather than by the creation of new and unneeded deposits. Certainly investment funds represented in existing deposits should be tapped before bank credit is resorted to if we wish to lessen the effects of an inflationary movement.—GEORGE L. HARRISON, president, New York Life Insurance Company.



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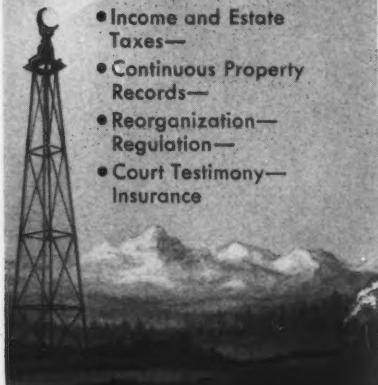
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upon his powers of observation! The thing I wished to do (in the article) was to get us handlers of money to know our stock in trade—actual money.

"The term 'penny' is an offspring, no doubt, from colonial times, resulting from English cousin rule. When I said 'No United States coin is called a penny,' I meant from the time of the 'Minor Coin Act' of April 2, 1792, which authorized coinage of a 'cent' in 1793.

"I'll stick to my guns and say 'there ain't any such animal, but since the Federal Reserve Bank at Minneapolis says it will ship pennies rather than cents, I'll give Mr. GAUGERT 50,000 per cent profit, above face value, for a Ninth Federal Reserve District 'penny' that actually says 'penny' and not cent. It will make a valuable addition to my collection."

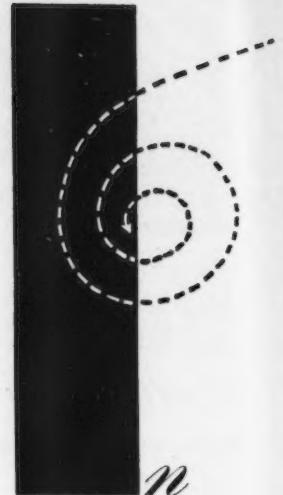
Birthdays

THE CENTRAL BANK OF OAKLAND, California, celebrated its golden jubilee with a "Gay Nineties" radio program broadcast from the lobby of the main office. Features of the entertainment included interviews with old depositors and employees, a speech by the mayor, and a dinner party for the staff. The bank also published a brochure "The Gay Nineties of Oakland."

THE PENNSYLVANIA NATIONAL BANK AND TRUST COMPANY of Pottsville observed its 75th anniversary with publication of a booklet "Seventy-five Years of Progress" wherein the history of Pottsville and the bank is traced.

TOWER GROVE BANK AND TRUST COMPANY of St. Louis has published a 30th anniversary brochure emphasizing the institution's human interest side.

At the Central Bank of Oakland golden jubilee broadcast (see above), Archie Presby, NBC master of ceremonies, introduces Carl F. Wente, right, president of the bank



a nutshell

"On the Lake at the Loop."

There's nothing subtle about that. It's a slogan that America's Grand Hotel has used over and over again because it tells the whole story in a nutshell.

It's not only an address describing convenient location—more than that—it's a phrase synonymous with gracious living, friendly hospitality, tactful service, good food, and travel comfort known the world over.

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"Near everything important in Chicago" is the rest of the story in a nutshell. Only a few minutes walk or drive to all depots and trade convention centers, Chicago's Friendly Hotel indeed enjoys advantageous location.

Close to the heart of everyone because it's close to the heart of everything. That's The Stevens Way.

**THE
Stevens
CHICAGO**

**JOSEPH P. BINNS
General Manager**



BANKING

THE CANAL NATIONAL BANK of Portland, Maine, celebrating its 115th anniversary this year, issued a pamphlet "for the amiable perusal" of its customers, directors, officers, employees and other friends.

We're Sorry, Professor Dewing

THIS ITEM should go on the Book Page. But in that case we wouldn't have room to print a letter from **ALLAN HERRICK**, advertising manager of the Security-First National Bank of Los Angeles.

His communication was inspired by last month's review of "The Financial Policy of Corporations," by **ARTHUR STONE DEWING**, former professor of finance at Harvard. We accidentally referred to the author as "Mr. Stone."

After calling attention to the error, **MR. HERRICK** went on to say, reminiscently:

"On second thought, it may be that this review was written by one of the professor's ex-students who remembers the fact that all classes conducted by Professor DEWING had the benefit of fresh air blowing through the open windows. In the Winter, all students wore their overcoats and mittens during the lectures. Only a man of 'Stone' could have survived as an instructor after a year."

"I recall that one day a student gave as an excuse for an incorrect answer the fact that his fingers were too numb to turn the page.

"Rough, bewhiskered, recalcitrant Prof. DEWING—bless his warm heart!"

George

YOU REMEMBER the phrase about letting George do it—the "it" meaning any odd or end of a chore that needed doing, well and thoroughly.

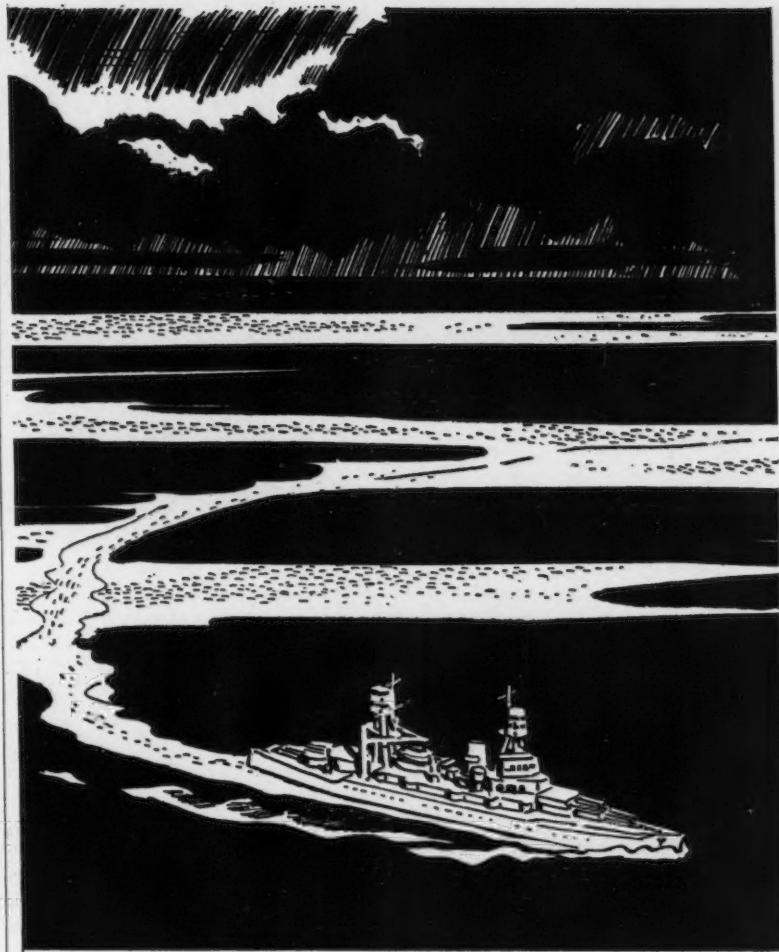
Banker **WILLIAM H. KNIFFIN** champions the vast and inarticulate company of Georges in the pleasant, thoughtful observations that appear on page 30.

French on Consumer Credit

ON PAGE 3 we were talking about the useful, timely material in this issue.

Since those lines were written we were able to add to the December number Walter B. French's interpretation of the two amendments to Regulation W, the Federal Reserve Board's rules for control of consumer credit.

Mr. FRENCH, who is in charge of the Consumer Credit Department of the American Bankers Association, also reports on an Association survey which showed a rather marked drop in the volume of this credit for September of this year as compared with the same month of 1940. See page 83.



One battleship isn't a fleet...

AND ONE TYPE OF INSURANCE ISN'T ADEQUATE COVERAGE. Nations do not insure the safety of their boundaries with one battleship! Supporting them must be scores of other warcraft...each designed for a specific job. Personal defense is like national defense! Men who have enough *life insurance* are often not protected against the other common hazards that confront us in everyday life.

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The Condition of BUSINESS

THE OUTLOOK. Events affecting commerce and industry today change so rapidly that business is constantly in the position of operating on the basis of conditions which no longer exist. Stores are full of goods to be sold and people are in the mood to buy but after Christmas, taxes.

DEPRESSION-WITHIN-A-BOOM. The dearth of facts on which to base business decisions is more or less of a chronic state of affairs but never in the memory of today's business people has the future resembled so much a forest of question marks. The various indexes of production, payrolls and earnings, present a picture of overall well-being that is not exactly true.

There are a few factors here and there which stand out clearly enough to be seen, but even the most favorable examination of these items indicates that the average hard-working, normal, tax-fearing business faces a long Winter unless it can tie up in some way with defense. Certainly a good part of the business population, non-defense industries and whole areas beyond the defense pale are confronted with the necessity of trying to do business as usual under conditions which are anything but usual.

By the same token there will be no lull in defense production, nor even a pause in its rapid expansion, because there is no place for defense output to go but up. Thus there is a definite prospect of a real depression, as part and parcel of a war boom no less real, and the circumstances that make this situation seem inevitable are several and readily recognized.

1. *Buy-Hards.* First, the buying spree that gathered such great momentum in the Summer and Fall has petered out. This has not been owing to a disappearance of buying demand but because of the interference of priorities, rising prices, exhaustion of supply, and a disposition of the Government to peek. Now the buy-hards have more than they want and the group who missed the boat have less than they need. Both consequently contribute to the general slowing down tendency, one from indigestion and the other from starvation.

This is obviously a situation that cannot be straightened out over night. It will take a little time and will have a retarding influence on most non-defense business that will last well on toward the March tax date, at least.

2. *A Prior Priority.* Government has priority of purchasing pressure that does not need any enforcement agency. Regardless of the machinery for allocating, prior rating and mandatory defense ordering the very weight of uninterrupted Government buying will squeeze non-defense buying severely. A word for this is preclusive buying which, in the case of purchasing certain strategic materials abroad, actually operates today as a specific policy of the Government in order to keep these materials from getting into other hands.

3. *Priorities in General.* A priority or an allocation, by any name, feels just as hard when it prevents the purchase of needed materials or finished products. The same

is true of actual scarcities versus those caused by an unequal distribution of available supplies.

Up to this time it has been possible for most businesses to find some temporary solution to problems involving shortages and delayed deliveries. What now seems at hand because of overbuying, actual scarcity or defense priority is a severe transition period for thousands of businesses and communities.

4. *Taxes.* Related closely to the foregoing deterrents is the fact that heavy excise and income taxes are going to siphon off the resources of non-defense areas, industries and individuals who are not receiving defense dollars.

The same taxes are of course collected from defense-benefited regions but not in big enough quantities to prevent unhealthy boom conditions from developing. This cuts both ways and kills and cooks the goose that lays the golden eggs.

5. *Prices and Inflation Fears.* The commonly assumed effect of inflation fears and rising prices is to stimulate business activity. This is true today only in localities where the inflow of defense money is sufficient to offset the higher living costs.

The effect is ultimately retarding on business wherever it takes more of a reduced income to buy less. In terms of eggs and shoes the sacrifice is very definite, regardless of the dollar figures.

6. *Subcontracting.* The apparent inability of the Government to make much headway in distributing contracts to small industries is one of the disturbing facts that will plague business right through the Winter. With higher wages and costs on one hand and the priority strait-jacket on the other, thousands of manufacturers already feel that there are two strikes against them. Besides, the pitcher is getting ready to throw a curve in the form of higher taxes.

CROSS INDEX BANKING'S cross index, based on a poll of 3,000 bank directors and presidents throughout the country, shows another slight decline with 13 per cent of those polled reporting a downward tendency. These include lumber and building material dealers, printers and publishers, wholesale hardware firms, highway contractors, merchandise brokers and physicians.

Sixty per cent of those polled this month said the volume of business activity was increasing, 27 per cent reported conditions as static and 13 per cent noted a decline. Last month 68 per cent reported an increase in business activity, 21 per cent a static condition and 11 per cent a decline.

The composite cross index figure this month is 82, compared with 86 the previous month.

This month 72 per cent of those reporting an upward trend in business say that the defense program is the reason. Last month the figure was 80 per cent.

The percentage of bankers reporting increased loan activity traceable to the defense program is 15 per cent, compared with 24 per cent last month.

WILLIAM R. KUHNS
BANKING

OLD BUILDINGS RENT LIKE NEW

...all they need is a modern Pittco Front

ALERT MERCHANTS
know the customer-appeal of a Pittco Front, and unoccupied shop space fills up fast in a Pittco-renovated building like the Splendid Hotel property in Gulfport, Miss.



THE shining Pittco surfaces and the bright Pittco colors transform shabby, run-down structures into modern, up-to-the-minute buildings—the kind where tenants enjoy brisk business and pay profitable rentals regularly.

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producers than ever before. Many bankers have found Pittco Store Fronts an excellent investment—because they pay for themselves in such a short time. Yes—they've found also that money loaned for Pittco modernization purposes almost always represents sound banking practice.

If you want proof of the amazing improvements brought about by Pittco remodelings—send for our new

Store Front Book. It's free. In it you'll find photographs of recent installations and authorized statements as to the increased profits which have resulted.

We recommend that you consult an architect when you are ready to build new store fronts on old buildings. Our experts will cooperate with him gladly in planning Pittco Store Fronts to suit your needs.

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Please send me, without obligation, your new
illustrated booklet, "Pittco Store Fronts—and
Their Influence on Retail Sales."

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The National Prospect



basis of competitive bidding, only a few companies have thus far issued securities, and it is still too early to generalize from this experience. The SEC's ruling effects a sharp change in the former investment banking practice of negotiating for new issues. Investment bankers hold that competitive bidding will lead to overpricing of issues, will endanger the interests of investors, and will involve other disadvantages. As yet, the effect of the ruling on underwriting concentration and the participation of small dealers cannot be determined.

A point of variance between the SEC and investment bankers involves permitting insurance companies to compete for new issues. This subject, too, has its pros and cons, the SEC showing no inclination to forbid insurance companies to compete for new issues.

The Washington news in The National Prospect is reported for BANKING by HERBERT M. BRATTER.

Washington, D. C.

Banks to collect taxes?

THE AID banks are giving the defense program through the sale of Tax Anticipation Notes and other securities may be enlarged if Secretary Morgenthau's suggestion of a payroll-withholding tax is enacted.

Meanwhile, banks will be asked to help in the distribution of posters urging savings for taxes. The banks have already distributed many millions of copies of the Treasury folder "Know Your Taxes." Secretary Morgenthau's special assistant on this campaign is George Buffington, a Chicago investment banker whom the Secretary met during the recent convention of the American Bankers Association.

Defense unemployment

IT CANNOT be too clearly stated that businesses threatened with partial or complete idleness as a result of the defense program should not put their sole reliance for a solution of the problem in the Government. Washington is trying hard to help minimize the loss of business. But a democracy suddenly preparing for war cannot create plans that will effect the shift from peacetime to war economy without friction and damage.

For manufacturers needing help some suggestions bankers can give them are: (1) Register your productive facilities with the nearest regional office of OPM's Division of Contract Distribution; (2) inquire at such office for the names of any primary contractors in your area who may be able to use your facilities; and (3) approach all such contractors directly.

In addition, follow up any defense clinics or exhibits in your neighborhood. Put the famous American ingenuity to work. The three OPM exhibit trains

will tour the country until December 19. If one is coming to your town, arrange at once with the nearest OPM office for a card of admittance. Talk with the officials on the train, and with your neighborhood manufacturers who visit the train.

National bank call report

THE September 24 call reports of national banks revealed an increase in loans and discounts of 5 per cent since June and 14 per cent since December 1940. Deposits totaling \$38,538,000,000 were higher than on any previous call date, showing increases of \$1,187,000,000 over June and of \$2,686,000,000 over December. The percentage of loans and discounts to total deposits on September 24, 1941, was 29.76, in comparison with 29.24 on June 30, 1941, and 27.97 on December 31, 1940.

Competitive bidding for new issues

UNDER THE SEC ruling that new public utility issues must be sold on the

Private capital for defense housing

THE 200,000 housing units for defense workers, allocated by the Government to private financing, will be rapidly provided, the FHLBB indicated, following a meeting of housing officials and leaders representing 3,850 home-financing institutions at its offices in Washington. "Private financial institutions and builders are ready and eager to take a larger part in the defense housing program, relieving the Treasury from more of the cost," it reported.

Economy committee

THE Congressional Committee to investigate non-essential Federal expenditures was organized on October

CONTINUED ON PAGE 12

Three OPM trains are touring the country to help manufacturers determine if they can do defense work. The trains carry samples of needed defense equipment and parts and subcontracting exhibits; also officials of the Priorities and Contract Distribution Divisions of OPM, Army, Navy, Maritime Commission, Treasury and Labor Departments. Admission to trains is by cards obtainable from the local office of OPM's Division of Contract Distribution



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NATIONAL PROSPECT—Cont.

29 with Senator Byrd as chairman and Congressman Doughton as vice-chairman. After considering a short report on possible savings, the committee asked the Budget Bureau for more detailed information. Because of the Administration's desire for heavier taxes the outlook is good for some positive action by this committee. We may hope that it will save billions annually. To win the war, every possible economy is vital. However, now that we are spending billions by the dozen, we cannot expect economy alone to pay for the war.

HOLC recommends substitute materials

USE OF substitutes for building materials on the critical list is urged by the HOLC in instructions issued to its reconditioning supervisors throughout the country, suggesting 21 types of substitutes which can be utilized in repair, modernization and remodeling. The instructions apply not only to the HOLC's work in reconditioning the properties it owns and those of its borrowers, but in the cooperative program which it is carrying forward with the office of the Defense Housing Coordinator to utilize existing structures to meet the housing demand in defense areas.

Conversion of industry

IF THERE were more cases like that of the household washer and ironer industry, the prospect of defense unemployment would be less alarming. Shortly after the OPM certified that 34 companies in the industry faced severe unemployment due to production curtailment, the Army issued a \$12,000,000 contract for anti-aircraft gun mounts to three companies in the washer and ironer industry, with the understanding that they would subcontract a large part of the work.

Unfortunately, not all "priorities unemployment" is so easily ameliorated. Manufacturers' pools can be successful only if the participants are equipped to collaborate in the production of a certain type of product. It would be a miracle if, in a country which had no long-laid plans for war, all civilian goods producers forced into idleness by shortages of materials could be converted promptly into defense production.

Tax philosophy

ROBERT R. NATHAN, national income expert with OPM, offers a rule of thumb for financing defense:

BANKING

Income which would normally be saved should be subject in a period such as this to heavier taxation; whereas the income which would normally be spent might well be borrowed by the Government. This general policy is proposed because in the post-war period we shall need to give every encouragement to consumption and if we borrow now from those who would otherwise spend the money, and return that buying power to them in the immediate post-war period, we shall be able to help them in the period of readjustment. On the other hand, the income which would be saved now is not likely to be used for current consumption in the immediate post-war period, since savings are not, by and large, the source of current expenditures on the part of individuals.

14,500 "Series E" agents

APART FROM postoffices, 14,500 agents are now qualified to sell Series E Defense Savings Bonds. This number includes building and savings and loan associations, credit unions, and the like, and 12,290 banks, as follows:

National banks	4,662
State banks	7,119
Mutual savings banks	509

Social Security and inflation curbs

A DISTINCTION should be drawn between taxation as an inflation curb, taxation to finance defense, and Social Security levies. Testifying before a Senate committee, Chairman Altmeyer of the Social Security Board urged 11 "next steps" in old-age security.

Chief among these was extension of coverage to all persons who work for a living, including the self-employed, domestic servants, professional persons, etc. With the Government running a large deficit and the public debt increasing constantly, any funds paid for Social Security and invested in government bonds are soon and irrecoverably spent. Some day they must be replaced, and at that time the Government will have three ways of replacing them—taxation, borrowing, or the printing press. What *some* of the people pay in for *all* of the people now, will later have to be paid back by *all* of the people to *some* of the people, or rather by one part of the people to another part of the people. The young and occupied will take over support of the old and unemployed. Social Security taxes today replace or make unnecessary other forms of taxation, but they do not preclude—rather, they assure—an equivalent tax levy "when we are old."

Home financing at high level

URBAN HOME financing exceeded \$3,500,000,000 during the first nine months of 1941, the FHLBB announces. During this period, lenders recorded



is engaged primarily in facilitating wholesale distribution and retail sales of the following products of General Motors Corporation and its world-wide affiliates: CADILLAC, BUICK, OLDSMOBILE, PONTIAC, CHEVROLETautomobiles; FRIGIDAIRE appliances for refrigeration and air conditioning; DELCO lighting, power and heating equipment; GMC trucks; BEDFORD, VAUXHALL and other

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The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise, capital employed being in excess of \$80,000,000.

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1,220,758 mortgages on urban property—12.5 per cent more than for January-September 1940. In dollar volume, recordings rose 17.6 per cent.

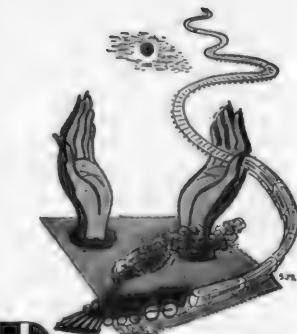
Accounting for nearly one-third of the country's total mortgage recordings—up to \$20,000 each—savings and loan associations again led all classes of lenders with recordings aggregating \$1,125,122,000, or 32 per cent of the total. Banks and trust companies followed with 24.7 per cent; and individuals comprised the third largest group, with 16.5 per cent of the total.

Centralized appraisals

A CURE on speculative rises in real estate prices and unsound home financing developed by the home loan institutions of New Orleans and the Louisiana Banking Department was described in a recent issue of *Federal Home Loan Bank Review*. All of the 32 New Orleans savings and loan institutions are conducting a central appraisal bureau, which sets the valuation on any home offered as security for a loan from one of the cooperating institutions. By direction of the State Banking Department, the member associations are required: (1) to obtain the Bureau's appraisal of every property submitted as collateral for a loan; (2) to submit all plans and specifications of new building for appraisal and approval; (3) not to make a loan for a term longer than 20 years, nor in excess of 80 per cent of the value of the property so appraised.

Licensing vital for price control

DEPUTY OPA ADMINISTRATOR John E. Hamm emphasized the importance with which the Administration views the matter of licensing as an instrument of price control. Without licensing, he holds, price control legislation is



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little more than a continuation of our present voluntary agreements with all of their limitations, says Mr. Hamm.

"Other countries have recognized this. England has relied heavily on licensing for the enforcement of maximum prices. After December 1, 1941 every person or firm in Canada manufacturing or dealing in food, feeds, livestock, poultry, yarn, cloth, clothing or footwear must obtain a license. The Canadian director of licensing points

The Army moved into the plant of Air Associates, Inc. of Bendix, New Jersey, to restore normal production after a labor dispute disrupted work on airplane parts



INTERNATIONAL NEWS PHOTO

out that this requirement is not intended to curtail business operations in any way. The Canadian licensing system is intended to provide the War-time Prices and Trade Board with the machinery with which to make speedy checks on available stocks and to police more effectively any price fixing order which may be instituted."

Securities Act

TESTIFYING BEFORE the House Interstate and Foreign Commerce Committee, Edward E. Brown, president of the First National Bank of Chicago, said: "If the 1933 Securities Act was repealed in its entirety business would not go back to the old practice" of obtaining capital by public distribution of securities. It was his conviction that industrial and other concerns would "place a larger part of their requirements with banks and insurance companies." A. L. M. Wiggins, chairman of the Committee on Federal Legislation, American Bankers Association, also appeared before the committee.

Irresistible vs. Immovable

WHATEVER THE pros and cons of all-out price and wage control, the difficulties facing Congress on this subject are illustrated by the following introductory lines from one of the CIO's numerous press releases issued during congressional consideration of this pressing subject:

[Declaring that the price control bill (HR 5479) now before Congress "is wholly inadequate to meet the swift inflationary movement of prices now taking place," President Murray of the CIO today wrote Representative Steagall, chairman of the Housing Banking and Currency Committee, urging him to support "an effective price control bill" and to oppose any "measures to institute wage control as unnecessary to prevent inflation and as harmful to the American people."

It is inevitable that after the war, labor, industrial and agricultural interests here will insist on policies conducive to exports. Neither vast "debts" which foreign nations are now incurring here on lend-lease and other account, nor obligations of earlier vintage will prevent the powerful forces mentioned from exerting their influence on our foreign trade policy. There is, indeed, little to indicate that the successive chain of policies which, on varying grounds, gave rise to the continuous "favorable" trade balances dating from 1914 will not be projected indefinitely forward. These past policies included the allied borrowings in Wall Street prior to 1917, the subsequent intergovernmental loans now recorded in the war debt files, the



The Minute Man

This famous statue of the Minute Man at Concord, by Daniel Chester French, has been chosen as the symbol of United States Defense Bonds by the Treasury Department.

DEFEND AMERICA

IN one brief paragraph, Secretary of the Treasury Morgenthau tells you what it means to purchase United States Defense Bonds and Stamps:

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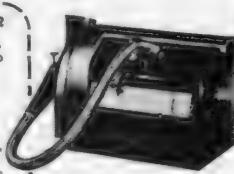
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post-war private bond flotations which added to many billions, the depression-born dollar depreciation and the buying of billions of foreign gold and silver, and lastly, the Good Neighbor loans, lease, and the like.

Economists say that a creditor nation ought to have an import balance, an unfavorable balance of trade. In the *Foreign Commerce Weekly* recently, W. Walton Butterworth, writing about England after the war, suggests as "the only sound permanent means of realizing the necessary end, the creation of a world which, among other things, will permit England to export more than she did before the war. This is the goal which in the long run both England and her creditors must, in their own interest pursue. There is no other practicable, tolerable, desirable goal to pursue." Unfortunately history suggests the unlikelihood that the United States will accept this suggestion, and permit the world to pay what it owes us.

Treasury, too, helps hemisphere

RECENT NEWS about Treasury participation in Mexican-American financial arrangements serves as a reminder that the Treasury along with the Export-Import Bank and other U. S. agencies, has been active in various parts of Latin America. The Treasury participated in the Latin American meeting of finance ministers at Guatemala City in 1939, for this purpose sending Assistant Secretary Herbert E. Gaston. The department was represented on the American delegation at the Havana conference in 1940.

In recent years American internal revenue experts have been lent to Colombia and other Latin American countries for advice on tax matters. A member of the Treasury's research staff is at present on loan to the Ecuadorian government, helping on various financial problems. A Treasury official acted as Mr. Morgenthau's observer on the economic mission to Venezuela.

This year the Treasury and Federal Reserve Board jointly staffed a mission to advise the Cuban government on the establishment of a central bank and related problems.

The Stabilization Fund officials in 1937 agreed with the Brazilian authorities to purchase milreis against the security of gold in New York. A more recent \$50,000,000 stabilization agreement with Argentina still awaits confirmation by the Congress of that country. Other stabilization operations are reported under negotiation "south of the border."

★ BOOKS ★

"The difference is slight to the influence of an author," wrote Henry Adams, "whether he is read by five hundred readers, or by five hundred thousand; if he can select the five hundred, he reaches the five hundred thousand."

You in the smaller group read books that help point the way the world is going. On this page each month we try to mention a few of them; and we stand ready to order for you, whether you're in India or on Manhattan Island, the titles of your choice. Just send the published price to BANKING, 22 East 40th Street, New York City.

THE PRACTICAL OPERATION OF A SMALL BANK'S CREDIT FUNCTION. By John Wetzel. Bankers Publishing Company, Cambridge, Massachusetts. 113 pp. \$1.75.

MR. WETZEL, assistant cashier, The Bayside (N. Y.) National Bank, designed this study as a manual for the small interior bank with assets of one to ten millions, having in its credit department a maximum personnel of an executive officer and a couple of clerks. The text is the thesis he prepared as a student at the Graduate School of Banking.

After pointing out some general considerations, including loan policy, personnel selection, advertising, and the customer interview, the author considers in detail the handling of commercial, personal, agricultural and mortgage loans. There is also a chapter on records, covering the credit file financial statements, loan applications, correspondence, etc. In a final chapter Mr. Wetzel goes into the collection of delinquent accounts, and audit and control.

Summing up, he finds that the small bank must adopt new and improved credit methods; that it must find new uses for funds, based on careful study and research; that it must adhere "strictly to a sound loan policy so that the desire for earnings will not lead it away from the fundamentals of safety."

ECONOMIC WARFARE: 1939-1940. By Paul Einzig. Macmillan, New York. 150 pp. \$1.75.

HERE Dr. Einzig describes the methods of economic warfare, notably the blockade, and shows how they operate both defensively and offensively. The war, he finds, will be won largely on the economic front, as was the last one.

Whereas in the struggle of 1914-18 economic warfare was mainly aimed at reducing Germany's food supplies, this time it will mainly be in the direction of cutting the Reich's oil supplies by air attacks. As to how long this will take, Dr. Einzig is noncommittal, although "final victory is merely a question of time." In the endurance contest that lies ahead Great Britain "will emerge victorious."

THE STRUCTURE OF THE NAZI ECONOMY. By Maxine Y. Sweezy. Harvard University Press, Cambridge, Massachusetts. 255 pp. \$3.

THIS is one of the better analyses of the present structure of the German economy. It begins with an account of the recovery problem of 1933 and of policies during the years of preparation for war. It discusses wartime aspects of government and business, corporations and cartels, price policies, financial policies, labor regimentation, planning, national income, consumption, and social welfare. The treatment is carried to 1940.

DOLLAR DOOMSDAY. By E. C. Riegel. Inflation Counselors, New York. 80 pp. \$1.

THIS pamphlet develops the thesis that the dollar is doomed by inflation due to government spending and creation of buying power for armament and for post-war reconstruction. It holds that the budget can never be balanced due to the role of the United States, after the war, as grand exalted savior of the world and provider of all good things.

The discussion is a mixture of fact and fiction, interpretation and opinion. It contains much to stimulate a re-examination of some current views on money.

THE NEW ECONOMIC WARFARE. By Anton Basch. Columbia University Press, New York. 190 pp. \$1.75.

HERE is an extension of a series of lectures delivered at Columbia during the Summer session of 1941 by a Czechoslovakian economist. German economic preparation for war and conquest by foreign trade and the subsequent economic impact of total war are reviewed, 52 pages being given to the present war economies of Germany and Great Britain. A final section discusses world problems of a future transition from war to peace.

This is an excellent review of broad principles of economic warfare, presented in brief space and an easy style.

Books Received

CANADIAN BANKING. By E. L. Stewart Patterson. Riverton Press, Toronto. 338 pp. \$4.50. The principles and procedures of our northern neighbor's banking system are explained by a prominent Canadian banker. Mr. Patterson died not long after completing the manuscript. This is a revised edition of the work, first published in 1932.

RAND McNALLY BANKERS DIRECTORY. Rand, McNally & Company, Chicago. 2,574 pp. \$15. The final 1941 edition, with facts as of August, contains the familiar features.



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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

DECEMBER 1941

The Ceiling's the Limit

STEPHEN LEACOCK

Professor LEACOCK, eminent Canadian economist and writer, outlines the provisions of the Dominion's price and wage control legislation.

THE government of the Dominion of Canada has set out to attempt the impossible, and by all appearances is likely to achieve it. "This is an experiment," said Prime Minister Mackenzie King in his broadcast of October 18 last, "hitherto untried by the will and consent of any free people anywhere." The reference was to the executive orders of the Federal Government of Canada, in force November 17, 1941, by which on and after that date no person may sell any goods or services at a price or rate higher than the maximum price or rate charged by him for such goods or services during the four months September 15 to October 11, 1941. This puts a "ceiling"—the word is the Prime Minister's own—over all prices and all wages.

One notes at once the comprehensiveness of the order. It covers the whole range of retail sales and wholesale transactions (export alone excepted). It covers, though with modifications, all agricultural prices. It applies to the whole field of industrial wages. It extends not only to material goods but to the immaterial services known as public utilities—telephone, telegraph, electric light, radio. It applies to all transportation. Nor does it even stop at death. The cost of death must not go up. A grim item puts a ceiling over the operations of the undertaker and the embalmer; their business is not classed as export.

Now it has been an economic maxim as old as Adam Smith that all attempts to fix prices and wages by law at any point where nature won't sustain them are certain to fail. Such a veteran economist as Mackenzie King learned this in his brilliant student days 50 years ago. I learned it also out of the same book. We all did. We read of the terrible example of the continental dollar of the American Revolution and how all attempts to keep prices down, even with a pitchfork and shot gun, utterly failed. Up went prices and down went the dollar until, it "fell gently asleep in the arms of its last possessor."



HARRIS & EWING

Here in U. S. too—in Washington the problem of price control, on which Canada took drastic action, has reached the legislative stage. *Above*, OPM Price Control Chief Leon Henderson, *left*, and Federal Reserve Board Chairman Eccles leaving the White House after a conference with the President on the general subject of "inflation"

Then came the story of how the Jacobins of the French Revolution tried to fix prices with a guillotine—and couldn't. After that came the terrible lesson of the Confederate paper money, and how Southern ladies in Richmond went shopping with a wheelbarrowful. Beside this was the Sunday School story of the "redemption" (notice the piety of the word) of the greenback in 1878. Finally the Great War showed complete failure everywhere to hold down prices by law. The German mark disappeared as a thin gas into the atmosphere and the pound sterling, after one brief twilight glimpse, was never seen again.

The theory of the books was, of course, that if you tried to hold down prices by law, you stopped production. The farmer, so one book put it, would stop "producing his milk." Similarly the cattleman wouldn't produce his hides—and so on. Things would come to a full stop and everybody sit in the ashes.

IT requires therefore no little hardihood to initiate a plan that seems so contrary to the wisdom of experience. But unfortunately the Ministry of Canada, like other governments, stand in this matter between the devil and the deep sea. If they can't keep prices *down*, then prices are going to go up. All the bygone bogeys warning us away from government interference are as nothing beside the new bogey known as the "expanding spiral"



"The Strait Gate and the Round Man"



"A Spoiled Child" (Ohio rag baby)



"The Three Bugbears of the West"
(grasshopper, potato bug and inflation
bug)

P

RICE "ceilings," whether in Canada or the United States, have as their purpose the prevention of inflation which was the ogre depicted by the artist who drew these cartoons, published by the New York Daily Graphic during the Summer and Fall of 1875. Early that year Congress had passed the Specie Resumption Act which many regarded as an inflationary measure because, says D. R. Dewey in his "Financial History of the United States," the redemption date, January 1, 1879, was so remote "and there was plenty of opportunity for more paper currency under the provision of free banking."

of rising prices. This hideous creature arose like a genie out of a bottle in the smoke of the last war and covered all the sky. The plain meaning of the "expanding spiral" is that every price that rises forces up others, and forces higher wages, and the higher wages force up higher prices and so on, round and round. The joke is, it isn't a circle; it gets a little wider all the time and never meets itself. It just goes up and up and up, until down it all comes like a water-spout.

There can therefore be no doubt that if the Canadian plan succeeds, its adoption will be a landmark in economic history.

Nor is it to be supposed that the new price and wage control in Canada is in any sense panic legislation. So far there is nothing wrong in the public economy of the Dominion. At the outbreak of the war, prices, especially agricultural prices, were abnormally low. As compared with the prices of 1926 as a basis of 100, the index of general prices stood at 72.3. During the first year of the war, prices hardly advanced at all, the new forces only sufficing to stop all further fall and hold them steady. In the second year of the war there was a decided advance, the index rising to 92.4. But even this is well below the prices of 1926 (before the depression). Similarly the cost of living had undergone no rise to create alarm. Based on a yearly family budget of \$1,453, with the average prices of 1935-39 to make a base of 100, it stood at 100.8 just before the war, and two years later at only 113.7.

THE war expenditure of the Dominion is assuming vast proportions. Canada spent from September 10, 1939 to March 31, 1940, as direct war expenditure, \$118,000,000; from April 1, 1940 to March 31, 1941, \$792,000,000, and has estimated for the current fiscal year (April 1, 1941-March 31, 1942) \$1,450,000,000. In indirect war expenditure Canada has repatriated Canadian bonds to provide Britain with sterling exchange, a total now of \$750,000,000 and expected to reach \$900,000,000 by April 1942. Since the outbreak of the war Canada has borrowed \$1,380,000,000 of new money, chiefly in the Dominion itself. Along with the British Government it has guaranteed capital construction in war plants to the extent of \$490,000,000. The national income for the current Canadian fiscal year (1941-42) is estimated at almost \$6,000,000,000. The Prime Minister is himself the authority for saying that the war will take 40 per cent of it; the last war never took more than 10 per cent.

Yet the public credit of Canada stands as steady as a rock, on a basis of about 3 1/3 per cent. There is no sign of defaulting taxes or of failing revenue. Yet such staggering expenditures obviously must be met by a policy of restriction. Production must be turned into war channels, and consumption through other channels blocked.

From the outbreak of war till the present juncture the government had been sparing of interference with the free play of economic life. But it had done certain things. It set up at once a War Time Prices and Trade Board, with drastic powers of intervention against sabotage and profiteering. Where necessary, the board sets maximum prices for wool, sugar, leather, gasoline, coal, oils, etc. It extended the Trades Disputes

Act (delaying strikes in vital industries) to all war industries; house rents, in crowded (military) areas, were put under control. A War Time Food Production and Marketing Board, an Agricultural Supply Board kept, as it were, a watch over food prices and supply. At the other end of the scale the Foreign Exchange Control Board took over in its entirety the purchase and sale of foreign exchange. The most important intervention, perhaps, was the Order in Council, P.C. 7440, setting up a cost of living bonus in all industries doing war work. Under this plan—now extended to all Canadian industry—workers got an increase of pay to the extent of 25 cents a week for each 1 per cent advance in the index of the cost of living as of August 1939. This had reached 3.47 a week when the new regulation took it over.

Under the new regime, prices presumably will be held at the point they had reached in the Autumn of 1941. So, too, will wages. The Order in Council recognizes for each industry and each section of it a going, full-time wage as then existing. This becomes the basic wage rate. No employer must pay more than this; no employee may ask it; hence a strike is struck dumb. There's nothing to say. Each worker receives also his cost of living bonus, payable by the employer, computed every three months by the Bureau of Statistics, stated as a weekly sum, the same for all. It is as if the government said to the wage earner: "Now, your wages are all right as they are now, and as prices can't rise your cost of living can't rise, and even if it did rise, your bonus would rise. See?" The response so far seems to be "O.K."

THIS, however, is only part of the plan. Having given the worker his comfortable wage, we must now see that he doesn't spend it.

To strengthen him against the weakness of the flesh, the Canadian Government next asks itself: What are the things these men and women would buy if we left them to their own weakness? Let us restrict by law the production of these things—motor cars and gasoline, new kitchen stoves, washing machines, refrigerators, radios. So the new law cuts consumption at the source. Instead of buying a new car and a radio the happy family buys a deferred War Certificate, on which neither interest nor principal is paid for seven years.

But observe that meantime under this plan they are all working, directly or indirectly, for the conduct of the war and getting nothing, for the moment, but their plain living, and the salvation of their souls.

This is the new economics of war consumption so well worked out by the economists of today in England, so utterly unknown before. In other words, as Mackenzie King said, we can't have it both ways. There are 1,000,000 Canadians working as soldiers or in war industry. Civilian consumption must be curtailed. The same plate of aluminum cannot be used to make a plane and to make pots and pans. The same pound of cheese—the words are the Prime Minister's—cannot be eaten in Britain and in Canada. The same men cannot make machine guns and washing machines at the same time. Naturally the new code will require a good deal of administrative machinery. This will be found in the existing boards and a specially created National War Time Labour Board with wide powers to deal with exceptional cases, subnormal wages and contingencies. The board has under it five regional boards in the provinces.

I have purposely left to the last the most difficult feature of the new control—its relation to the life and work of the farmers.

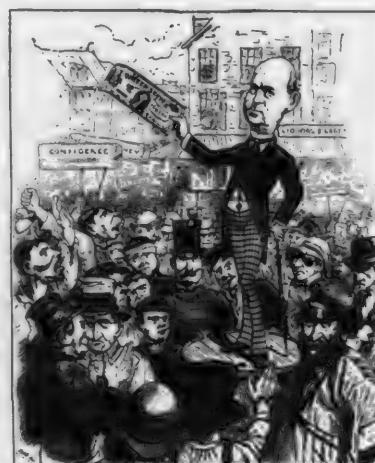
The farmer occupies with us a peculiar historic place. His is the role of a man with a grievance. It is generally recognized that, whether the rest of us wished it on him or not, by reason of the tariff and such the farmer has run into a lot of hard luck. The plain fact is that the prices he received for his grain and produce, just before this war, were just about the same as those of 60 years ago. Meantime his costs, his taxes, his general expenses had risen tenfold. Machinery beat him out. It made all his produce cheap and made him buy things he didn't need and hadn't known of. The Canadian farmer never could have survived but



"The Inflation Ogre's Orgy"



"Pity the Sorrows of a Poor Old Inflationist"



"The True Basis of Value Is Confidence"



"Uncle Sam's New Toy"



"The Old Woman Who Lives in a Shoe"



CARTOONS FROM BROWN PHOTOS

"The Democratic David Slaying the Inflationist Goliath"

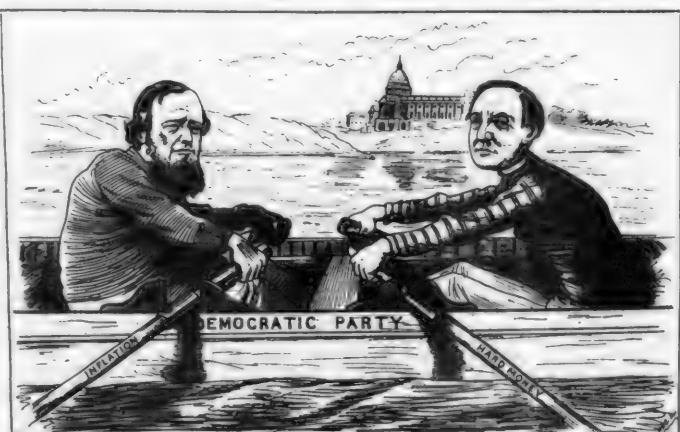
"A Long Pull and a Strong Pull, But Not a Pull Together"

for the alternating waves of war prosperity, from the Crimean War on, that washed over to Canada terrific prices and inordinate gains which allowed him to build brick houses and hip-roof barns. Then as each wave receded the outgoing tide left him in a mud of mortgage. The last wave was that of the Great War. Ontario farmers saw potatoes in some districts go to \$10 a bag. Prairie farmers took vacations in California. Then the wave receded again and left the vacation farmer stranded in the mud with his portmanteau and his new silk umbrella. Thus came the depression with Ontario potatoes at 11 cents a bag. After that the drought came and the wind blew the western farm away as dust.

It is a fact, astounding or not, that of 293,097 income tax payers in Canada in 1940, only 1,721 were farmers; they paid three-tenths of 1 per cent of the total tax. The government has done still more. It has striven hard to peg the price of wheat, to buy up the surplus, to guarantee wheat growers who planted wheat and compensate, per acre, growers who didn't grow.

Now comes, or would have come, the new wave of high prices and the farmer is told that he mustn't ride on it. In sight of the promised land he finds the bars are up. That is to say, the new regulations start off with the general principle that agricultural prices are covered by the same ceiling as other prices. But there are many mitigations. In the first place there is no ceiling at all over export prices, and, theoretically, much of farmer's produce—especially wheat, cheese, apples and bacon—is material for export. Wheat is not likely to rise in price, owing to the huge world carryover; but if it does, the farmer will, without a doubt, get all the rise, even for wheat in domestic consumption. Consumers' bread must take its chance. Bacon and cheese are already regulated. The board will look after the farmer. Moreover, there is already a guaranteed wheat price of 70 cents a bushel, and a bonus on unplanted wheat land—\$2 an acre if in grass, \$4 if summer-fallowed. Especially fortunate is the fact that many farmers' prices had risen sharply in 1940-41 and stood well above the level of a few years ago. Thus in 1932 hogs sold at \$4.66 a hundredweight, and in 1940 at \$8.57, steers at \$5.33 and \$7.68. Butter was 20 cents a pound in 1932 and 33 in 1941; cheese almost doubled—9.7 cents a pound to 15 cents.

As Mr. King said, without the cooperation of the people the plan cannot hold. If the consumer and the producer lay their heads together to cheat the government there is nothing for it but to kick them at the other end. If Skunk No. 1 cheats Skunk No. 2 there's no end to it all. But I don't think that will happen. The Canadian producers and consumers are not producers and consumers only; they have boys in the Air Force and the Army, and sons out on the sea, and memories of past wars, and tablets in every village. If the idea can reach them that this, too, is honor and sacrifice, they will not break ranks.



An Eye on Foreign Funds

How Banks Are Helping Make Freezing Control Effective

HERBERT M. BRATTER

UNDER the Executive Order governing the freezing of foreign funds, because of the nature of the business the primary responsibility for making the system effective really rests on the banker, rather than the Treasury Department. The banker, more than any other citizen, is in a strategic position to know what is going on in his community. If the small country bankers will block accounts that ought to be blocked, the system will be fully effective.

Bankers have already been extremely helpful to the Treasury in this matter. For example, until very recently there were in unrestricted operation in this country hundreds of agencies which normally did a travel business. Notwithstanding the effects of the war in shutting off travel to Europe, many of these agencies continued to make regular remittances in normal volume to central points in large cities. When suspicious banks inquired into the causes of this abnormal prosperity of the travel business, it was discovered that there had developed here a system of collecting from German and other residents funds small in individual amounts, but in the aggregate of considerable assistance to the Axis cause. The total ran into millions. Such funds, remitted to Nazi and fascist agents, nourished the fifth column here.

SUCH transactions now have been materially curtailed by the selective blocking of the funds of firms engaged in the questionable business of collecting money for food packages to be delivered in Europe, or for the accumulation of retirement and similar funds in Germany. But, as fast as one Nazi racket is detected, another is likely to spring up in some different and equally beguiling form. The dollars so collected here, of course, are not sent abroad, but are turned over to Axis agents for their use here. Therefore, when a bank finds a suspicious client regularly remitting money of unknown origin to some central point, making abnormal payments to printers or publishers, or to strangers, such accounts should be carefully scrutinized by the banker from the standpoint of effective freezing control.

Bankers may assist the Treasury's efforts to control Axis financial operations here by reporting any suspicious or unusual financial transaction to the nearest Treasury official or the FBI. The report need not be in writing. The transaction need not be more than suspicious. Unusual transactions by known persons and any suspicious transactions by strangers should be scrutinized with the Treasury's foreign funds control in mind. Any internal revenue officer, customs collector, Treasury bank examiner, or Federal Reserve bank official will be glad to pass along to the proper control

Bankers' Problems

SEVERAL thousand replies to Secretary Morgenthau's letter to bank presidents concerning freezing control have been received by the Treasury Department. These replies have provided many constructive suggestions for perfecting the administration of the Foreign Funds Control. The Treasury considers the number of responses and their friendly, cooperative tone very gratifying.

The replies indicate that several misunderstandings and criticisms concerning Foreign Funds Control are fairly widespread among bankers:

1. *Simpler instructions needed:* Many bankers asked that the public documents relating to freezing control be explained in simpler language.
2. *Difficulties in determining national status of customers:* Many bankers have complained of the difficulty of determining who among their customers are foreign nationals, whose accounts should be reported or blocked.
3. *Alien registration list:* There have been numerous requests that the alien registration lists be made available to bankers as an aid in determining the national status of their customers.
4. *Definition of foreign nationals:* Many bankers have indicated a misunderstanding of the term "national" as used in the Order, thinking that only aliens are nationals of foreign countries.
5. *Scope of foreign funds control:* Some bankers appear to think that Foreign Funds Control affects only foreign exchange transactions.
6. *Delays in action on applications:* Some bankers feel that there is too much delay in Treasury action on applications for licenses. It has been suggested by several that more authority be given to Federal Reserve banks to issue licenses.

These general suggestions and problems, together with many others of a more technical nature, are now being considered in the Treasury Department with a view to doing everything possible to assist bankers in the administration of freezing control. With the cooperation of bankers groups, the Treasury is confident of being able to work out solutions to the problems indicated in the replies to Secretary Morgenthau's letter. Steps had recently been taken to increase the delegation of authority to the Federal Reserve banks, particularly the New York bank, to pass on applications. This has already resulted in expediting the disposition of applications.

authorities information of a suspicious character disclosed by a bank. Not only may such disclosures be made orally, instead of in writing; but all such informa-

tion is held by the Treasury in strictest confidence. The "freezing" files are literally kept under lock and key by the Government.

One way bankers can help this phase of economic defense is by keeping on file an up-to-date copy of the Government's "blacklist," the Proclaimed List of Certain Blocked Nationals, since any transactions with such nationals are forbidden. Even an attempted transaction with such nationals should be reported to the Treasury. A copy of the blacklist has now been supplied to every bank. Just because your bank is inland, it does not follow that interdicted transactions will not be attempted by one of your customers.

Remember, too, that any American citizen who acts for or on behalf of a blocked national is, to the extent that he so acts, also blocked under the law. It is noteworthy that a large number of the accounts at present blocked are accounts in the names of individuals who are American citizens or in the names of corporations organized here. Many of these citizens are naturalized citizens. Others are native-born Americans. Legally, a corporation may be American, even though its stock is controlled or indeed entirely owned by blocked nationals. The fact that a corporation is domiciled here, however, does not exempt it from the freezing provisions.

IN carrying out the freezing program the banks are in a position to give the Treasury most vital cooperation. No one knows the business of a community better than does the banker. No one can more quickly spot abnormal withdrawals of funds, suspicious business dealings, questionable remittances, or other dealings likely to nourish the Axis and its secret agents here. A banker's vigilance may prevent sabotage of our defense effort.

Sometimes a bank's client will unwittingly attempt a forbidden type of transaction, unless the bank cautions him. All persons should be advised that it is illegal to send to any blocked country, unless authorized by the Treasury, any negotiable instrument or other document evidencing ownership of property, any check, power of attorney, bill of lading, warehouse receipt, bill of sale, deed of property, trust receipt, or security. Not only are such operations prohibited in the case of a

Offices of the Foreign Funds Control are in this Washington apartment house



HARRIS & EWING

Postal Savings and TFR-300

THERE have been rumors that deposits of aliens in the postal savings system are not subject to the same freezing restrictions which apply to funds of blocked nationals on deposit in American commercial and savings banks. This is not the case. The Treasury has issued no ruling favoring postal savings deposits, under the control of foreign funds.

Under the freezing control any bank account of less than \$1,000 need not be reported on Form TFR-300. Since most postal savings accounts are smaller than \$1,000 they are thus automatically exempt from the census reporting requirement.

Under General License No. 11 amounts up to \$500 per month may be paid out of a bank account for the living expenses of a blocked national within the United States. Since the bulk of the postal savings are for less than \$500, General License No. 11 can be employed to withdraw these small balances without the need for a special license.

The Treasury is in the process of surveying, along the lines of TFR-300, all the government agencies concerned, since in the cases of the public debt, social security, veterans' payments, and the like, there are many beneficiaries who are in blocked countries. In general, it is the Treasury's present practice in such cases to require that payment to such beneficiaries be made by crediting blocked dollar accounts.

blocked country; they are forbidden whenever there is even a reasonable suspicion of a blocked interest. If you do not know who is getting the property, or why, be suspicious.

An ordinary bank check, mailed from the United States to a blocked country, may turn up eventually not with an Axis endorsement—which would at once preclude payment except under license—but endorsed by some nonblocked national. Our free dollars are our defense blood. They must be guarded zealously.

As already mentioned, an important leak of free dollars to the Axis was closed when the Treasury put an end to the "food package" and Rueckwandermark businesses, and took steps to check the pro-Nazi operations of certain "travel agencies" engaged in the businesses. The food package business involved payments in many instances to agencies here by persons wishing to send, even though at exorbitant cost, packages of food to relatives or friends in Germany, Poland, etc. The free dollars were paid in to Nazi accounts here, while the food—if delivered as promised—was obtained by the Nazis in Europe. The Rueckwandermarks were a type of blocked marks sold to persons who planned to return to Germany to live after the war, and their sale resulted in making available free dollars for the use of the Nazis.

These businesses brought to the Nazis various advantages in addition to the highly profitable accumulation here of free dollar exchange available for any purpose, however legitimate or nefarious, for which Berlin chose to use the funds. The "businesses" gave to the Germans a network of operating establishments

(CONTINUED ON PAGE 56)

An Age Limit on Loans

RUSSELL B. STEWART

Mr. STEWART, president of *The Miami Deposit Bank, Yellow Springs, Ohio*, wrote "6 Per Cent Is Not 11.7 Per Cent" in April BANKING.

WHAT is bank liquidity? Perhaps this can best be illustrated by the story of the bank examiner who was calling on a small-town bank. He arrived on a hot Summer day and walked in. Seeing no one around, he crossed over to the door that led back of the counter and went in. Still seeing nobody, he started searching in earnest. Finally, in the back room he peeped around the corner and saw the president, the cashier, and two directors enjoying a leisurely game of poker.

"This is fine business," he thought. "I'll teach these fellows a lesson." So he tiptoed out to the front of the bank, set off the burglar alarm, and rushed to the window to see what would happen. In about two minutes the local bartender from across the street came leisurely toward the bank with four steins of beer.

That is one way that you might explain true bank liquidity, and is, perhaps, one of the more pleasant ways of thinking about it, but sometimes it can become a troublesome thought.

IT would seem that each bank should have some yardstick by which it might at any given time measure its liquidity. Although the method about to be suggested does not seem to be used by any bank examination departments or by banks, it would seem that the best measure of liquidity is an actual aging of the loan account.

I will use our own bank as an example, because we made this test about a year ago and intend to do so every year from now on, feeling that it is a rather sure way to show whether bank funds are frozen.

The yardstick proposed here is an arbitrary one which could be used for almost any period. For our purposes, we decided to make the periods as follows: (1) Total of loans less than one year old; (2) total of loans between one and two years old; (3) total of loans over two years old.

We assume that loans less than one year old are reasonably liquid, if they have been made under our loaning standards. We feel that if a period of depression arises, the drop in deposits will not occur in just a few months. A large drop of 20 to 40 per cent might occur within a year or two. Therefore, if loans were liquid to the extent of being less than one year old, or part of them not more than two years old, the bank could liquidate as rapidly as deposits dropped off. However, when the loans are over two years old, and are not on a payment schedule, they may not be too easy to liquidate. So the first thing we did was to go over our entire loan account and divide it into the classes mentioned. We

found the percentages of our loans were aged thus:

Total Less Than One Year Old	Total Between One and Two Years Old	Total over Two Years Old
56%	14%	30%

We felt that those less than one year old, and between one and two years old, did not particularly need watching at this time, but the total over two years old was the group that we should put under very strict surveillance. Therefore, we took the total, 30 per cent, of loans over two years old and classified them as follows, with corresponding percentages for each classification:

LOANS OVER TWO YEARS OLD			
Safe—Paying Regularly	Safe—Not Paying Regularly	Not Safe—Paying Regularly	Frozen—Not Paying
73%	13%	8%	6%
(1.8% of total loans)			

Those "Safe—Paying Regularly" we do not need to worry about, as they were probably made to run over an agreed period and all we need to watch is that they pay on schedule. The "Safe—Not Paying Regularly" group should be watched at rather short and regular intervals to see what is happening to them and an effort should be made to put them on a regular paying basis. Those "Not Safe—Paying Regularly" must be watched very closely to make sure that no payments are missed. "Frozen—Not Paying" an effort, immediate and intensified, should be made to get them cleaned up or to have them secured.

By so classifying our loan column we feel that we can keep a pretty good eye on our own liquidity. We do not know what would be average for all banks, as there seems to be no precedent for this study.

We do not know whether our total is too high or too low, but we do know that all loans over two years old should be, and in our case actually are, paying regularly in 73 per cent of the cases. In addition, 13 per cent more of the older loans have good collateral.

Experience indicates that if Federal Reserve member banks can keep 50 per cent of their loans liquid to the point where they would ordinarily pay out in one or two years or less, the banks would seem prepared for any average national condition. On a conservative basis, therefore, we can cut the 50 per cent safe upper limit of long-time loans back to 30 per cent, such as was discovered to be the case in our bank, and if those 30 per cent were being paid on a regular basis, such condition might be considered good.

Of course, it does hold true that the nearer a bank approaches the 50 per cent maximum figure the more intensive and regular must be its activity with regard to keeping those loans under control. Under present conditions, if banks are to keep their money invested in local loans, they must be prepared to have more funds invested in the longer term type of loan and thereby it becomes more necessary to use close check-ups.

Directors on the Job

MILTON WRIGHT

This is the final article in this series by Mr. WRIGHT. So favorable has been the reception given these articles on the duties and responsibilities of bank directors that BANKING will shortly issue them in reprint form.

DID you ever look into one of those old-fashioned family medical books that described the symptoms of all the diseases? You felt perfectly healthy as you opened it, but as you read on you were not so sure. When, by using considerable will power, you laid down the fascinating volume, you knew you had tic dououreux, phthisis, shingles, housemaid's knee and a dozen other distressing ailments you had never heard of before.

Attending a bankers' conference, the director might have shivered as he heard a supervising bank examiner declare:

"At least two-thirds of the bank failures which have occurred in the last 10 years or so have been due directly or indirectly to weak or incompetent management, and it is safe to say that at least nine-tenths of this weak and poor management can be laid directly upon the shoulders of the directors of the banks concerned, where the whole of it really belongs. They are the ones who choose the executive officers of the institutions; they are the ones who are responsible if executive officers follow improper practices or violate law; and they have it in their power to correct such evils or remove the officers responsible for them. It is incumbent upon them to have both the will and the knowledge necessary to maintain their institution on a proper course. This involves real effort, attention to detail, plain hard work. A bank directorship is no sinecure. A figurehead bank director is a menace to his institution, to his community, and to his own record of integrity and public service."

THE conscientious director begins to wonder. He has considered membership on the board a post of honor, but now it sounds like unremitting labor surrounded with hazards on all sides.

The average director is not a professional banker. He never pretended that he was, and neither his neighbors nor the law expect him to be. He has attained some degree of success, but he still must devote nearly all of his time, thought and energy to his own affairs. Only a small part of his attention can be given to the bank. The public and governmental authorities alike agree that this is wholly reasonable.

He has been elected to the board because he possesses certain qualifications. He has a certain amount of ability and knowledge, as demonstrated in the successful administration of his own business. He has a reputation for high-mindedness. The public has confidence in his integrity and his judgment.



A bank director might have somewhat the same temporary sensation of dismay when he looks at a list of some of the acts for which he may be held accountable as one gets from examining the medical cyclopedia. He is said to be responsible, among other things, for failure to audit or examine the operations of the bank management periodically; for failure to use reasonable effort to collect slow or doubtful accounts; for failure to retain proper officers and employees; for failure to supervise them properly; for failure to take more than ordinary care in permitting loans to employees; for permitting improper expenditures; for permitting the bank to act ultra vires; for improvident investment; for loans improperly secured, for over-drafts; for failure to require proper bonds from officers; for failure to charge off assets as required by the bank examiner; for permitting checks to be certified on insufficient accounts, and so on and on and on.

It is indeed a position of honor, but not any empty honor. It is not a reward for past achievements, but rather a continuing assurance that the bank will reflect the character of the man. In order that the confidence of the public may be justified, the law imposes some very definite duties upon the director.

These duties are few and reasonable. In collaboration with his fellow directors, he must do these things:

(1) *Supervise the officers who operate the bank;* (2) *regulate the manner in which the business of the bank is conducted;* (3) *observe the laws under which the bank is organized;* and (4) *authorize such dividends as may properly be paid.*

The first factor in supervising the officers is to have officers to supervise. The directors must appoint proper men, support them and cooperate with them. If the officers should prove to be lacking in either efficiency or honesty, then the board should replace them with men who are better qualified.

Because the public looks upon the directors as an as-

surance of the soundness of the bank, it is the duty of the directors to regulate the manner in which business is being transacted. Naturally, this requires a certain familiarity with what is going on. The directors must attend meetings, which are held at least once a month.

They must learn from the officers what is going on. They must acquaint themselves with credits and the affairs of borrowers. They must have some knowledge of the banking laws and regulations. From time to time they must review the work of the bank's officers to see that everything is proceeding as it should. And then, if profits are sufficient, they may declare dividends.

A DIRECTOR does not guarantee that the bank will be run profitably, or even that it will be run properly. What he is required to do is to use ordinary care. When he takes reasonable precautions and uses his own best judgment, he incurs no liability if anything should go wrong.

The ordinary care, reasonable precautions and best judgment, however, cannot be evaded or delegated. It is when a director shirks his duties that trouble comes. One of the common derelictions is habitually to stay away from board meetings. If situations are disclosed at meetings which clearly indicate that the bank is headed for the rocks, the director cannot use his habitual absence as an excuse to evade responsibility.

Another common dereliction of duty is to entrust the affairs of the bank to some one man without any supervision and control. It probably is true that in a particular bank the president knows more about banking than all of the directors combined. The charter, however, which provides for the board, never intended that the bank should be a one-man affair. No matter how strong-minded or how efficient a president may be, neither the public nor the law looks kindly upon a dummy director.

Still another common dereliction is the failure of directors to make periodic examinations of the bank's affairs. The board, from time to time, must check up on the management. It is especially bad for directors to shut their eyes to dangerous situations pointed out by bank examiners.

A less common dereliction is the knowing violation of laws. This would include making excessive loans, issuing false statements or declaring illegal dividends.

The conscientious director who takes his office seri-

ously has no worries about the restrictions that are ringing about him for the protection of depositors, stockholders and the public. If he exercises a reasonably intelligent and alert interest in the conduct of the institution, nobody can ask for more.

"Generally speaking, there are only two times when a director shines—when the bank is organized and when it gets in a jam," declares a Long Island banker of 40 years' experience. "In the beginning, the director is looking to the public; when trouble comes, the public is looking to him, and he is required to look to himself.

"At other times he is all too likely to take his position for granted. He may attend meetings, but for the most part he just sits there and says yes. He accepts the recommendation of the president without question. In fact, it might be a little embarrassing for him to ask questions, because then he would show up how little he knows of banking.

"Of course, it is flattering to place all the responsibility on the shoulders of the president, but it isn't quite fair. The president's judgment isn't infallible. He usually thinks he knows what's best, but it would be more comforting to know that the board's approval was based on intelligent inquiry and constructive thought."

One factor that requires greater diligence by bank directors than in years gone by is the increase in the requirements imposed by bank examiners. State and national authorities are determined that never again shall banks go through the experience following the collapse of 1929.

DIRECTORS who have not made or caused to be made an examination of the books or securities of their bank to determine its condition and management, have not exercised reasonable care and prudence. They should go over the whole body of loans and investments. For this purpose a semi-annual review is advocated. The special committee which makes such a review should include no officers and no members of the committee which passed upon the loans and investments. An outside accountant may be retained to do the actual work of getting the information and assembling it in proper form.

In one small but profitable bank the chairman of the board describes the work of the examining committee as follows:

"Twice a year we make our examination. The officers never know just when this is coming, for we never notify them in advance. Some afternoon, just as the bank is closing, three directors will walk in and switch all of the employees around, each one taking a task to which he is not ordinarily assigned. Each director will take a cage and they will begin to count up. They take practically two days to do the whole job. They check all the ledgers, including savings. They go through all the loans and check every piece of collateral. They reconcile the accounts direct with the correspondent banks and public treasurers. They go over the expense ledgers, item by item, and they ask for explanations. It is a real job that they do."

To what extent and in what detail the director is required to keep informed as to the internal workings of his bank, depends upon the circumstances of the particular institution.

Four qualities are requisite in a director. He must be honest, intelligent, prudent and diligent. Possessing these qualities, he need not be told that the law forbids him to borrow funds which the bank holds in trust, accept pay for helping someone obtain a loan from the bank, or sell goods to the bank at less favorable terms than he sells to others. As a gentleman, he knows instinctively that such things should not be done.

The whole duty of the director, in fact, may be summed up in the statement that he must be conscious of the trust reposed in him and take reasonable efforts, no more and no less, to see that the institution for which he stands sponsor shall be worthy of him.

What's Banking Coming To?

J. WILL IRWIN and



"So he walked up to the teller's window with \$1,000 to put in a savings account when this monkey in the cage grabbed up his pistol and said, 'Get away from here with that money, you dirty rat, or I will blow you through!'"

—From a column by Westbrook Pegler.

"The crime *trust* never commits murders out of passion, personal revenge or any such usual motive."

—From a recent magazine article.



"The combination (an organization known to the newspapers as 'Murder, Inc.') is operated like a chain of banks and spreads all over the country."

—From a recent magazine article.

"... many banks are holding large sums of money, unclaimed by their owners. Just because I can't remember what I have done with my money is no reason why a bank should sit tight and say nothing about any sum of mine that may be eating its head off in their vaults." —From Benchley's "Forgotten Money."

BANKING

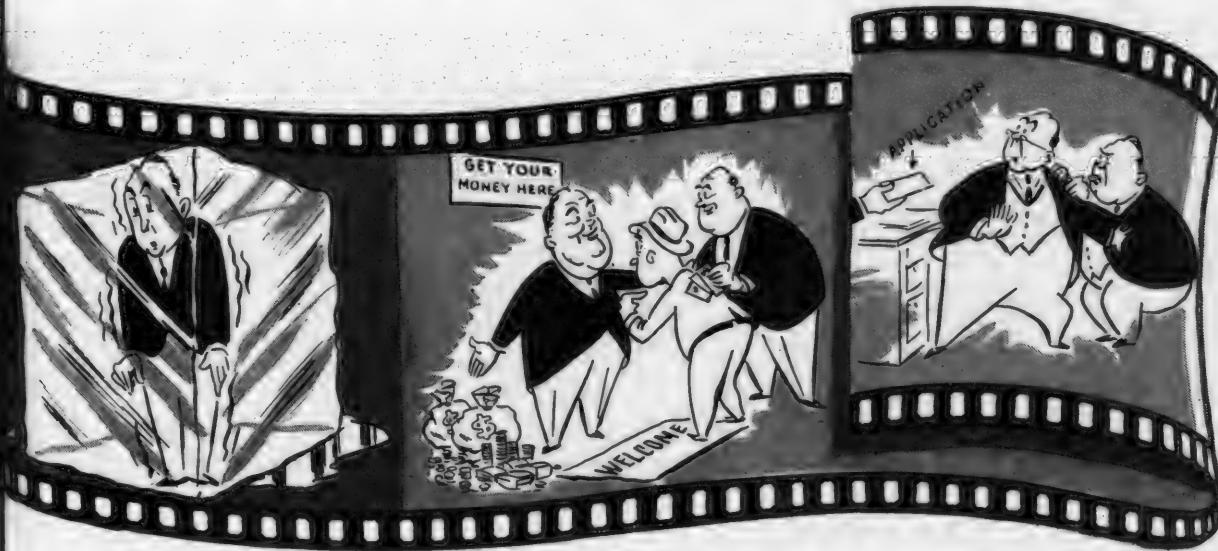
A movie of mis-impressions

BOB KIRKPATRICK



Mr. Average Man goes to the bank on payday to deposit his check and draw a little cash. This particular lunch hour he also has to get a haircut, buy curtain rods, birthday present . . . and, oh yes, eat his lunch

Mr. Smith has never been in a bank, but from what he has heard this is what he thinks he would see in the average banking institution



Picture of a man coming out of a bank after asking for a loan

The workingman's misconception of two different types of banks:
1st—the "friendly bank" that won't let you out until you have borrowed some money; 2nd—the "dignified bank" that lends money only to those individuals who don't need it



WILLIAM H. KNIFFIN

The author, who is president of the Bank of Rockville Centre Trust Company, Rockville Centre, New York, says that this article "is drawn from life and may be helpful to the younger generation of bankers."

EVERY January, for years past, I have gone to Baltimore with a group of men for a directors' meeting.

All that any one of us has to be concerned about is to be at the Pennsylvania Station, New York, with an overnight bag, at the appointed time and place as indicated in the notice of meeting. The trip is "on the house," as would be expected in a successful and well managed company. We could even leave our pocketbooks at home and be safe from embarrassment. We have literally nothing to worry about for "George" does that for the whole crowd.

On the last occasion, we gathered at the usual place, at the usual time and counted noses. All were present. They always are. One of the men spoke up, saying, "George, have you got the tickets?" I replied for George, somewhat facetiously, "Of course he has. George never forgets." Whereupon, George took out his wallet. "Let me see," said he, looking at Mr. A, "you are staying over?" "Right," said Mr. A. "There's a reservation for you at the Lord Baltimore," said George. "And you, Mr. B, you're coming back on the midnight?" "Correct." "Here's your ticket and sleeper, down and back. It is air-conditioned," said George. And so on, around the circle until every man was provided for.

GEORGE has that indefinable, and, according to Walter Teagle of the Standard Oil Company of New Jersey, indispensable thing we call "dependability." You can depend upon him implicitly. Not a detail will be overlooked if George is in charge. Never a thing neglected or left undone. George never seems busy; yet he is always busy. He never seems tense, but always relaxed. He is never rushed, but he gets through a stupendous amount of work.

I know of no more comfortable feeling that a board of directors or any other official can have, than to know that in every key position there is a George on the job. Because all you have to do is to give him the work and forget it. He will

do the worrying—if there be any—for both you and himself. But he is not given to worry; he is given to work.

I once had a George in the person of a scrub woman. I have had several Georges in humble jobs. This woman would come in as regularly as the clock struck three and begin her cleaning. She made scrubbing floors a fine art. She would never use a mop. "That's no way to clean marble," she would say and get down on hands and knees and do it the old-fashioned way. She stayed with us until she died. Why not?

Out at our Boy Scout Camp of 600 acres on Long Island, we also have a George. To look after a dozen buildings well scattered, with their equipment, and all that woodland with the hazard of forest fires, is no small job. Herb Grace has charge of a quarter of a million dollars worth of property.

EVERY building is used by large and small groups every week-end and holiday throughout the year, to say nothing of the regular camping season of seven weeks in Summer. You must have a reservation and show it to Herb if you would do a bit of camping on that property. But it is delightfully satisfying to find upon your arrival, say at 10 o'clock of a cold winter's night, that the fires are burning, the coal laid in, water in the tanks, and dishes and cooking utensils laid out for your use. I know for I have often done it. Herb Grace is just another "George." He, too, never forgets. He, too, is dependable.

The chief virtue, as I see it, in having a George on the job is that you do not need to watch him. He will watch himself. You do not need to inspect his work. He will be his own inspector. You need not fear to go away and leave the ship without a captain. George will not take advantage of your absence. Rather he will work the harder. You save all the worry and all the inspection expense when you have George on the job. You pay one man, not two or three, for doing the one job.

The process of creating Georges, it seems to me, is simple. Management must know how to recognize dependability and efficiency in its embryonic state. There's many a George in the banking business who has not yet been discovered because the boss does not know a George when he sees him. Have a care how you select the new help. Pick for the future. Like the tobacco buyer, you must





know quality when you see it. The potter must know his clay. One does not have to be a psychologist to observe that a young man is doing good work. If he is regular in his coming (but not so regular in his going), does his work gracefully and on time, puts his heart and soul into it, is adapted to it, is willing to learn and quick, shows a desire to improve himself mentally as well as financially, improves his leisure time, has a positive personality—then we may know that he has possibilities. We must, in the next place, give him every encouragement and every opportunity to improve himself. A little *pat on the back* once in a while, but not too often, will not be out of place. Tell him the good as well as the bad about himself. But most of all, never break his spirit and *never make him afraid of you*.

IN the developing process, if jobs higher up are to be filled, even temporarily, give this George-in-the-making a chance, and watch him. If he makes good and takes hold, that is what you are after. Give him a little responsibility. If he carries it well, give him more and more, slowly so he can absorb it. Do not rush him, do not overburden him and do not expect the impossible. He will and should make mistakes. Everybody does. But his batting average will be high and that is all we should expect. What we are after is just a plain, ordinary human being, well developed for the work he is expected to do. Moreover, do not be stingy with that pay envelope. George is interested in that as well as you. In my banking experiences I have known of at least two long-time bankers who really never got anywhere because they would not accept responsibility. And because they would not accept it, it was never given to them and they thus became, not Georges, but merely bank men with a title.

IN my own bank, I have already two Georges, and another and perhaps two, coming along. Over a period of 15 or 20 years these men have been in training. Long ago I discovered that they had in them something worth while. In fact I look for symptoms of development in all the help. My Georges have been given every possible chance to improve themselves and they have taken full advantage of these opportunities. But first the opportunity had to be there before it could be used. My steady policy has been to take in likely young men and then work with them day by day, month by month, giving them that help which age and experience can give to youth. But youth must be receptive and age must be willing.

When I put a boy on the general ledger, I tell



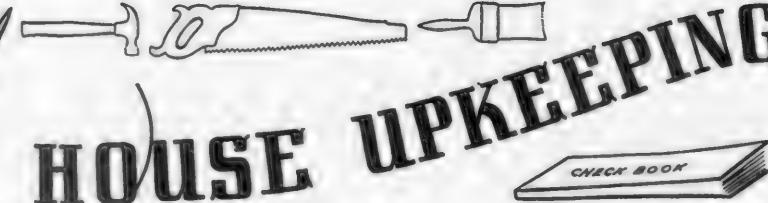
him that I want our permanent records to be a credit to the institution as well as to the one who made them. Usually boys out of school are poor penmen—very poor, I should say. I show them how to make good figures and how to write legibly. I want no scribbling in my bank. I show them what is wrong with their work and show them the kind of work I want them to learn how to do. As they improve I tell them so—in fact they ask from time to time how they are coming along. I have been remarkably successful in this process. The books show it. But it did not just happen, it was a deliberate process.

All the boys and girls are encouraged to take the A. I. B. courses. In respect to the boys it is almost mandatory, but not altogether so. They know it will help them get somewhere; and I do not want a boy in the organization who has no objective. Upon completion of each course they get their money back. The rule is to promote from within the ranks. Everybody knows that rule. No outsider will crowd them out of their opportunities. In 20 years we have rarely had to go outside to fill positions. We develop our own Georges. In consequence, we have a delightful spirit of loyalty.

I FEEL certain that the potential Georges in your organization will do their part if you, the management, will do yours. You have as an objective, the creation of a permanent and self-sufficient organization that will function throughout the years. They have at stake their business careers—their future and their future dreams. From a purely selfish standpoint each has a stake in the game. Both will profit by the same processes. Whether the process begins with employer or employee, I do not know. The employee has or is the raw material. The boss turns it into the finished product. Both must work together. It is mutual in its processing and mutual in its benefits. I believe all this as thoroughly as I believe anything pertaining to bank management. First, because it is fundamentally and eternally sound; and secondly, because I have tried it out over a period of years and it works. And I saw the real George, the raw office boy, develop into George, the executive.

We need—we must have—the Georges in jobs great and small. We find them in shops, offices, stores, banks, Boy Scout camps, and even in Washington. If it were not for the Georges of business, industry would soon become so inefficient, so wasteful, so unorganized or disorganized, so weighted down with its own shortcomings that it would collapse. Business need never worry so long as George is on the job; nor need George worry either, for he is the indispensable man.

Good HOUSE UPKEEPING



MILES L. COLEAN

The Twentieth Century Fund's Housing Survey director continues his informative series on the advancing techniques of housebuilding.

WHERE long-term lending is involved, it is obviously important that the security outlast the debt. Yet in the straight mortgage type of lending, formerly common, too little attention was paid to this dictum. The depression revealed not only physical security that was badly deteriorated, but land values, upon whose supposed continuous increase mortgages were so largely based, also subject to decline. Today the necessity for recognizing depreciation is undisputed, and the principle that any long-term loan should be regularly amortized is almost universally accepted.

Yet amortization, important as it is, is not alone a sufficient safeguard to the lender. It is simply a method the lender can use to race with depreciation in the hope that the former will move faster than the latter. Supplementing amortization the lender can also exercise his influence in seeing that measures are adopted that will tend to slow down depreciation and result in more economical maintenance. In this way he may make his race easier, or, in the interest of providing housing for more people, make it possible actually to extend the period of amortization.

IN the preceding article of this series one means of combating property depreciation—through sound land planning—was discussed. In this one, an attempt will be made to point out some of the factors affecting the maintenance and deterioration of the structure of the house itself. We shall be concerned with the problems not only of making the utility of the house outlast the term of the mortgage, but of making it do so in such a way as to involve a minimum of drain upon the resources of the mortgagor.

Houses, unfortunately, are not like the wonderful one-horse shay, the durability of the parts of which was so perfectly balanced that it lasted its predetermined span and then went to pieces all at once. Houses, even the best of them go to pieces bit by bit all the time. But some houses go faster than others due to the qualities of materials and workmanship used; and some house parts wear out faster than others because of the wide variations in their characteristics and in their exposure to wear and tear. Here we have one problem of balance—that of the relative durability of the different parts of the house.

Defense Enters the Picture

The defense situation with its new array of technical problems emphasizes the specialized nature of the mortgage business. Under these trying conditions the lender must take no chance in knowing what he is about; in being sure that the modifications he accepts still leave him with an acceptable security, and that the financial plan is carefully adjusted to the initial and operating costs of the structure. He must be an expert, in order both to render satisfactorily an essential public service and to maintain the soundness of his operations.

Durability is in part a question of cost. Although not wholly true, it is generally so that the materials that last longest cost more than less durable ones, and that the most careful labor and the finest workmanship cost more than an inferior grade. Here is another question of balance—of cost against assumed durability. This is a problem of determining how good a house needs to be. We have not only examples of dwellings built so cheaply that the cost of repairs far outweighs the initial savings, we have also had examples of such well-built structures that no one could afford them in the first place.

A house must not only be kept in repair; it must also be operated, heated, and kept clean. It has to provide numerous services. All of this involves costs to the occupant—costs in dollars, convenience, and comfort. And again, we have a question of balancing different kinds of costs, since high satisfaction and low operating costs frequently, though by no means always, involve additional first costs.

FINALLY, from the lender's point of view, there is the question of balancing the desirability of a well-balanced structure, of durability and low maintenance and operating costs against his willingness to make concessions for them. In a competitive lending market, the lender as well as the owner must pay for quality if he is to have it. This may mean higher initial valuation, or lower down payment, or lower interest rate, or longer amortization period, or some combination of several of these inducements.

(CONTINUED ON PAGE 67)



The savings banks of Brooklyn, Queens, Long Island and Staten Island, comprising Group V of the New York State Mutual Savings Banks Association, have a new sound motion picture—"In Security . . . There Is Strength."

This educational short portrays the romantic story of the origin of mutual savings bank system and highlights the modern-day services rendered by these institutions. The story dramatizes the direct and indirect benefits of thrift and saving, showing how the depositors' dollars at work in mortgages and city, state and govern-

ment bonds build homes, schools, roads and bridges. It presents thrift as the background for the continuing supply of daily necessities and shows its present task in national defense.

The film is designed to help the public realize the important economic role of these institutions in national



as well as individual life. It is aimed at creating a better general understanding between the mutual system and its public.

The narration is by Mark Hawley, CBS news commentator, and requires 17 minutes to project. Showings have been scheduled for churches, schools, clubs and civic organizations. At each presentation the audience receives a 16-page folder summarizing the film story.

This is the third film produced by a mutual savings group in the last 18 months—an interesting commentary on the forward-looking public relations policies of this group of banks which hold today the greatest accumulation of savings in America.



Something for Christmas

Yuletide celebrations each year in the banks of the country are numerous and varied, and always include many benefits for the poor. In some localities these observances are community—even international—affairs. Christmas 1940, viewed in retrospect, was marked by a number of musical programs. BANKING presents a few of these



In The American National Bank of Kalamazoo, Michigan, high school and junior choirs from the Methodist and Congregational churches sang carols at noon on the two days preceding Christmas. Accompanied by a Hammond organ, the choir marched from the balcony into the lobby, around a 20-foot Christmas tree and into position, as shown at left. Several hundred spectators witnessed the services. To a recessional the children marched back on to the balcony

Depositors and employees, below, right, of the Land Title Bank and Trust Company, Philadelphia, singing carols in the bank's lobby the day before Christmas



PHILADELPHIA ENQUIRER

Choral Society of The National City Bank of New York, composed entirely of bank employees, whose program of carols was sung on the main floor of the bank on Monday preceding Christmas and was broadcast to Central and South America over NBC stations WRCA and WNBI, thus uniting the bank's staffs in the Western Hemisphere



Children and employees, right, singing carols on a Cathedral-style balcony in The San Francisco Bank. This photograph was taken from the January 6, 1941, issue of *Advertising Age*



A view of the San Francisco Bank during the carol singing by children of employees on the day before Christmas. The employees' own singing society also took part.



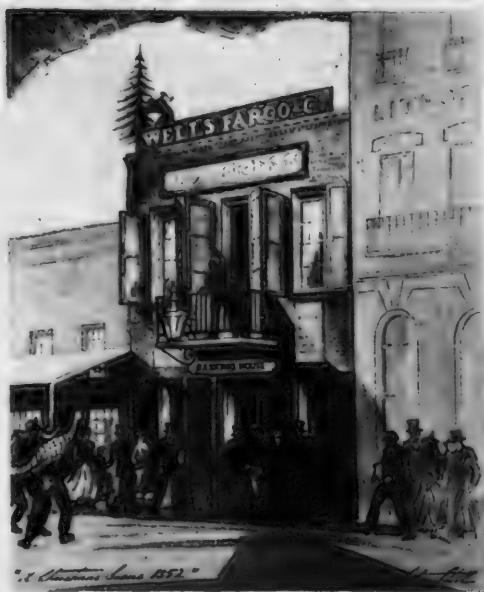
Historical and patriotic themes were chosen in 1940 by a number of banks as the motifs for their Christmas and New Year's greetings. Here are just a few to give you an idea



On the face of The Boatmen's National Bank of St. Louis card was a sketch of an early Mississippi river boat; while on the inside was a scene, dominated by "Colonel Eads' bridge," showing changes on the river, above. The latter scene was taken from the murals by Frank Nuderscher in the bank's lobby



The Wells Fargo Bank & Union Trust Co. of San Francisco chose an old etching of its quarters at Christmas 1852—the year it was organized. A quotation from the face of the card: "In gold-rush San Francisco, the maritime tradition of 'topping the mainmast' with a Christmas tree was often followed by landsmen"



"A Christmas Scene, 1852." In gold-rush San Francisco, the maritime tradition of "topping the mainmast" with a Christmas tree was often followed by landsmen.



The Troy Savings Bank of Troy, New York, combined patriotism and history in a colorful greeting, above



Wall and Water Streets, about 1797, was reproduced from an old print by The Chase National Bank of New York. The coloring was effective in blues, blue-greys and rose-brick shades



WALL AND WATER STREETS, ABOUT 1797
FROM AN OLD PRINT

The NATIONAL

Pledge of Cooperation

We, the members of the

believe that the purchase of United States Defense Savings Bonds and Stamps is Democracy's way of underwriting national security; and we hereby pledge ourselves to buy the Bonds and Stamps, and to urge other loyal Americans to do likewise to the end that patriotic dollars may be made available for the building of an impregnable defense for America.

Please send to HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY
WASHINGTON, D.C.

CALIFORNIA BANKERS ASSOCIATION



THE aid of 268,000 bank employees in the sale of Defense Savings Bonds and Stamps has been enlisted by the American Institute of Banking Section of the American Bankers Association.

Special forums and panel discussions at which the bank workers will receive information useful to them in promoting Uncle Sam's securities are being sponsored by the Institute through its 421 local chapters and study groups.

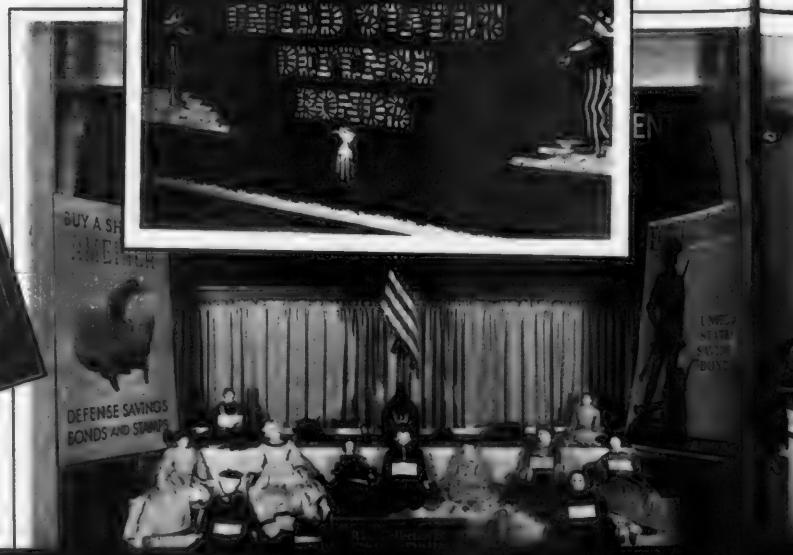
The first forum took place at Rochester, New York, on November 3, sponsored by Rochester Chapter. Speakers, including George T. Newell, A.I.B. national president, outlined the Treasury's bond-selling campaign and the Institute's efforts on behalf of national defense.

For a more complete account of the Institute's plans on behalf of defense financing, see BANKING'S News Paper. Also, in the Picture Log, page 80, there are other photographs of the Rochester meeting.

Meanwhile, on these two pages appear pictures illustrating promotional methods used by banks in publicizing defense securities.



Around this page, upper left to right, a pledge distributed to banks by the California Bankers Association; bond sale thermometer, Peninsula National Bank, Cedarhurst, New York; panel of red and white corn ears in The Mitchell (S. D.) National Bank; a doll collection in the First National Bank, Palm Beach, Florida



L E F F O R T . . .



ROCHESTER PANEL—left to right, Henry Heiman, executive vice-president, National Institute of Credit; Raymond N. Ball, president, Lincoln-Alliance Bank and Trust Co., Rochester; E. C. Donovan, president, New York State Bankers Association; H. J. Marshall, association secretary; B. E. Finucane, president, Security Trust Co., Rochester; Frank S. Thomas, president, Genesee Valley Trust Co.; Wendell J. Curtis, president, Mechanics Savings Bank. A.I.B. President Newell is at the extreme right, foreground

Around this page, lower left to right, special Defense Bond counter, Continental Illinois National Bank & Trust Co., Chicago; airplane display, First National Bank, Leesburg, Florida; window display, Puget Sound National Bank, Tacoma, Washington; display in store window adjoining Fremont (Nebraska) National Bank; staff members of Wachovia Bank & Trust Co., Winston-Salem, N. C., sign up for payroll savings plan



Dear Banking

Central New York Organizes a GSB Club

Syracuse, New York

To the Editor:

THE football game between Rutgers and Syracuse late in October marked a milestone in The Graduate School of Banking alumni annals. Twenty of our Central New York GSB men joined the Rutgers cheering section, and after the game we held our first formal get-together party at the Onondaga Hotel. We're sending you some pictures that tell the story.

First, we settled down to a pre-dinner discussion of the game, but soon reminiscences turned back to the Rutgers campus, the gym, and the "bull sessions."

During dinner The Central New York Graduate School of Banking Club was organized, with Warren B. Unbehend, Lincoln National Bank and Trust Company, as president, and W. Niver Wynkoop, First Trust and Deposit Company, Syracuse, secretary-treasurer. The club membership covers nine counties. While we will act



as a separate group, we pledged our support to the regular central New York Rutgers alumni activities.

Policies and a 1942 program were discussed and recommendations made to the committee on by-laws, methods and procedure, headed by Paul Brainard, First National Bank of Ithaca; Charles W. Hall, Oneida National Bank, Utica; and Carl A. Neumeister, National Bank of Auburn.

We'll get together again in February, when Rutgers meets Syracuse at basketball. We believe the new club is a grand idea, as we want to keep in touch with the school and know the new men coming along. We're looking forward to the formation of similar clubs over the country. Our club is among the first within the GSB.

(Signed) THE CENTRAL NEW YORK GRADUATE SCHOOL OF BANKING CLUB



Above, left, a group of the GSB men in a pre-dinner discussion of the game. Right, a group of the club members lined up for a song fest. BANKING is sorry not to be able to identify all these gentlemen, but believes that the second man from the left is Mr. Wynkoop. Mr. Unbehend is at his right

Below, left to right, Aurie Johnson, First Trust of Syracuse; John Sheedy, Syracuse Trust; Carl Neumeister, National Bank of Auburn; John Hunt, Onondaga County Savings, Syracuse; Kenneth Barton, Merchants National, Syracuse; Francis Coulter, Syracuse Trust; and Secretary-Treasurer Wynkoop



BANKING

"...AND THESE SUBSTANTIAL SAVINGS
HOLD GOOD FOR SMALL BANKS
AS WELL AS LARGE"

RECORDAK

The Photographic Plan of Single Posting
Saves 33 1/3% in Labor
40% in Bookkeeping Machines
50% in Stationery

ARE you postponing Single Posting because you're not sure it will "work" in your bank? . . . and, in the meantime, continuing the unnecessary costs of ledger and statement, two sets of stationery, and many time-consuming posting operations involving duplication of effort and expense?

Then, unquestionably, you should look into Recordak Single Posting now. For the experience of thousands of banks—large and small—conclusively proves that Recordak can simplify bookkeeping to *one* set of original records . . . with reductions up to 45% net in operating costs plus savings up to 98% in storage space! And, in addition, Recordak provides the most complete protection of any accounting system yet devised

... with picture-perfect records of every transaction in tamper-proof, extraction-proof, substitution-proof form.

Why not write Recordak today for the folder illustrated above and specific information on Single Posting as applied to your particular institution? Recordak Corporation, Subsidiary of Eastman Kodak Co., 350 Madison Avenue, New York, N. Y.

• • •

Recordak requires no capital investment—it is rented, not sold. Installation and servicing by Recordak's staff of bank-trained representatives are included in the rental fee.

RECORDAK PHOTOGRAPHIC ACCOUNTING SYSTEMS



A LESSON FROM GETTYSBURG

AT Gettysburg Edward Everett spoke two hours, Abraham Lincoln a bare three minutes! Both were great speeches, but Lincoln proved for all time the power and effectiveness of *brevity*.

Insurance policies, too, are often better when they are brief, broad, and clear. Thus many banks are finding the new comprehensive general liability policy helpful in simplifying the handling of their insurance. This policy will help you to eliminate duplications in coverage, chance misunderstandings, loopholes which are too often overlooked. It makes your job as an insurance buyer easier, saving you time and money.

Many bankers are using this policy to simplify the problem of providing adequate protection, particularly when the bank controls

a large number of properties. A representative from our branch office in your city will be glad to explain this new Liberty Mutual policy, also a special over-all plan developed by Liberty Mutual and United Mutual as a special service for banks, both for their own insurance and for their customers. This plan can save you time and money, provide you with fast local service, give you the unquestionable security of two companies with a record of steady, consistent growth, and possibly broaden your coverages at no increase in premiums. Just write today to:



THE LEGAL ANSWER PAGE

Old Age Benefits

Is the retirement pay given retired officers of a bank, who no longer perform any duties for the bank other than service on a committee, subject to the insurance contributions and unemployment compensation taxes? Are such retired officers eligible for monthly primary insurance benefits under the Social Security Act?

THE answers to both these questions are dependent upon whether or not the retirement pay is "remuneration for employment." The term "wages" used in the Social Security Act and the related chapters of the Internal Revenue Code includes "all remuneration for employment" with certain exceptions not here relevant.

The term "employment" is defined as including "any service . . . of whatever nature performed . . . by an employee for the person employing him, . . ." Under this broad definition of the term "employment," service of these officers as members of committees, even if they are not members of the board of directors, may well be considered by the Bureau of Internal Revenue as coming within the definition. Furthermore, the Bureau has ruled, in connection with the question of whether an employer has the requisite number of employees to be subject to the unemployment tax that inactive, uncompensated officers are "employees" even though they perform no actual services, so long as they may be called upon to perform services under certain circumstances.

In the event that these retired officers are held to be in "employment" and receiving "remuneration" therefor, their retirement pay would continue to be subject to the insurance contributions and unemployment taxes. Moreover, if the "employees" receive as "remuneration for employment" more than \$15 a month they will not be eligible for monthly primary insurance benefits.

It is quite likely that a similar situation will arise to vex other banks which may desire to avail themselves of the advice and judgment of senior officers retired on pension. Since an unqualified answer to the problem discussed cannot be given, it is desirable to resolve all doubts by submitting the question of whether retirement pay is "wages" to the Internal Revenue Bureau and to the Social Security Board for a formal ruling.

Is it true that national bank employees are at a disadvantage in the computation of their old-age and survivors' insurance benefits as against other employees who were covered by the Act from its inception?

YES. This results from the method prescribed for calculating the individual's "average monthly wage." An individual's average monthly wage is the basis of his insurance benefits, and it is, therefore, of the utmost importance how this figure is determined. As defined in the Act and in the Regulations:

"The term 'average monthly wage' means the quotient obtained by dividing the total wages paid an individual before the quarter in which he died or became entitled to receive primary insurance benefits, whichever first occurred, by three times the number of quarters elapsing after 1936 and before such quarter in which he died or became so entitled, excluding any quarter prior to the quarter in which he attained the age of twenty-one during which he was paid less than \$50 of wages and any quarter, after the quarter in which he attained age sixty-five, occurring prior to 1939."

The method can best be explained by an example. Suppose that John Smith has been employed by the Best National Bank since 1930 and from 1937 on received \$150 a month. He dies in January, 1946. To compute his average monthly wage, all the pay received from jobs covered by the law is totaled. Because national bank employees were not "covered by the law" until January 1, 1940, only his wages for the years 1940 through 1945 are totaled, making \$10,800. This amount is then divided by the number of months intervening between January, 1937 and December, 1945, which is 108. John Smith's average monthly wage is \$100.

Any other employee who worked a similar period of time at the same salary, but who was in a covered employment would have had an average monthly wage of \$150. It seems only equitable that an employee of a national bank should be entitled to the benefits based on an average monthly wage computed both as to time as well as wages earned, from the date such employees were covered by the act, that is, from January 1, 1940.

(This point was made in a letter from Charles B. Cochran of the Charles B. Cochran Company of Baltimore, Maryland, publishers of the booklet "What You Get From Social Security.")

Dishonored Checks

When a bank on which the check is drawn returns it unpaid, is there an obligation on that bank's part to give a reason for the dishonor?

BECAUSE it is the customary thing for banks to explain why a check is being returned unpaid to the forwarding bank, it may be assumed by some that the drawee bank has no right to withhold information as to the reasons for dishonor of its customer's check. However, in the absence of a statute, the bank has a legal right to refuse to indicate the reason for dishonor. But this is not a recommended practice. The General Counsel of the American Bankers Association has suggested that drawee banks in returning dishonored checks affix a slip on which is indicated the reason for refusal of payment.



Dealers in Municipal Bonds

The Chase offers correspondents a well rounded service in this type of investment. Inquiries from banks will receive the personal attention of experienced officers.

Bond Department

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK

Member Federal Deposit Insurance Corporation

Records Required by the Wage-Hour Law

An inspection by agents of the Wage and Hour Division in one state revealed that about 40 per cent of the banks violated some provision of the Fair Labor Standards Act. One of the more common violations was the failure to keep proper records.

Whether or not banks and their employees come under the law cannot be answered with certainty until the courts have spoken. To date there has been no authoritative decision on this point. However, there is a distinct possibility that banks may be held to be subject to the act. Moreover, the penalties imposed for infractions of the act are severe. Therefore, the American Bankers Association has consistently advised banks to operate in strict compliance with the law.

The regulations, as recently revised, do not require that the Wage and Hour records be kept in any specified form but they must contain the following information *for those of their employees who are subject to the minimum wage and maximum hour provisions of the act.*

1. Name in full. This shall be the same name as that used for Social Security record purposes. On the same record, the employee's identifying symbol or number if such is used on any time, work or payroll records.

2. Home address.

3. Date of birth, if under 19.

4. Occupation in which employed.

5. Time of day and name of the day on which the employee's workweek begins. If all the workers have a workweek beginning at the same time on the same day, a single notation for the whole workforce will suffice.

6. (1) Regular hourly rate of pay. This item is only required to be entered in the records for any week when overtime is worked and overtime excess compensation is due. (11) Basis on which wages are paid, such as "50 cents per hour"; "\$3 per day"; "\$15 per week"; "\$150 per month."

7. Hours worked each workday and total hours worked each workweek.

8. Total daily or weekly *straight-time* earnings or wages.

9. Total weekly overtime excess compensation. That is, the excess compensation for overtime worked which amount is over and above all straight-time earnings or wages also earned during overtime worked.

10. Total additions to or deductions from wages paid each pay period.

11. Total wages paid each pay period.

12. Date of payment and the pay period covered by payment.

For executive, administrative, and professional employees, the information and data indicated in items 1 to 5 above, and in items 6(ii), 11 and 12 above, must be maintained.

It is not necessary to keep all of the items of information required under the regulations in one record. Thus some employers carry on the payroll total figures

on hours worked, wages received and deductions made for each employee. Individual employee personnel records, currently maintained, contain the details on name, employee symbol or number, age (if required), occupation and other related general information; while individual time or work cards or workforce sheets show the detail of daily and weekly hours worked, salary, rate basis and weekly straight-time earnings and overtime excess compensation.



Investment Service

STATE AND MUNICIPAL BONDS

UNITED STATES GOVERNMENT BONDS



BOND DEPARTMENT

The First National Bank of Chicago

Telephone FRanklin 6800—LD 92-93.

Teletype CGO 987

HOW TO GET



KOLECT-A-MATIC Mortgage Record

A Kolect-A-Matic Mortgage Record with its "visible margin of signal control" immediately flashes every desired pertinent detail and fact concerning each mortgage. Without searching the body of the individual record forms such information as the following is available at a glance: 1—Arrears in payment of interest, principal and advances; 2—Due dates; 3—Type of mortgage; 4—Deposit account; 5—Rent assignment; 6—Foreclosure; 7—Interest rate; 8—Geographical zone; 9—Type of building; 10—Tax status; 11—Card "out of file."

REMINGTON

BANK
BUFFALO, NEW YORK

TWO FOR ONE!



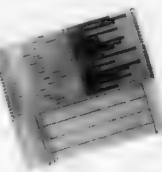
DOUBLE CLERICAL EFFICIENCY!

The duties of two clerks may be handled by *one* because a Kolect-A-Matic Mortgage Ledger increases the speed of posting, reference and collection follow-up by as much as *fifty percent!* It's a fact that one clerk can easily accomplish the work of two! And, today, when a scarcity of trained personnel threatens, and National Defense throws new burdens on executive staffs—Kolect-A-Matic becomes more than ever a "tool" with which every bank can profit.

WHAT IS A KOLECT-A-MATIC?

Kolect-A-Matic is the nation's newest, fastest visible ledger for machine or pen posting—no other even approaches its many unique, distinct advantages of collection control and operating speed.

A series of individual "pockets" are mounted and hinged to metal panels and the top of each pocket is visible. This visible margin is protected by a tip of transparent acetate through which shows the pertinent account information that is posted to a "title" insert. Inasmuch as the title insert is never removed while the account is active, the ledger card resting in the pocket has a permanent home and mis-filing is practically impossible.



KOLECT-A-MATIC
PANEL



SECTIONAL
SAFE-LEDGER DESK

HOW MAY KOLECT-A-MATIC BE HOUSED?

A Kolect-A-Matic Ledger may be housed in a variety of units. However, the great value attached to ledger records usually dictates "point of action"

safety from fire in a Safe-Cabinet (shown on opposite page) or a Sectional Safe-Ledger Desk (as shown in the small illustration at the left) which may have units added to it as your accounts increase.

At the right is shown an uninsulated ledger tray filled with Kolect-A-Matic panels. There is a similar portable floor model unit equipped with ball-bearing wheels, insulated to provide "point of action" fire protection.



LEDGER TRAY

Kolect-A-Matic panels may also be maintained in open trays on a desk or table. However it is housed, Kolect-A-Matic is a *centralized* record. In each visibly indexed pocket are gathered complete accounting, collection, history and statistical data regarding each individual account. Kolect-A-Matic will help end window lines, cut waiting time, slash operating costs, and establish effective, economical collection control. Possibly your present mortgage record may be housed in Kolect-A-Matic without re-writing.

WRITE FOR MANAGEMENT CONTROLLER

Write and ask to see our fully illustrated 34-page Mortgage Record Management Controller No. 628. It will show you how Kolect-A-Matic, with its Graph-A-Matic signal, acts as an inflexible reminder to experienced personnel and a "robot" foreman to green clerks—effectively preventing the overlooking of important "musts". Write today for this free service and take the first step toward doubling clerical efficiency and conserving executive time.



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DEPARTMENT
BRANCHES EVERYWHERE

NATIONAL DEFENSE AGAINST FIGURE ERRORS

MARCHANT Internal Audit Calculating cuts



Proves Calculating
Also proves correctness of
copying answers
WITHOUT CALCULATING TWICE

Question: What is the greatest waste in present-day business calculating?

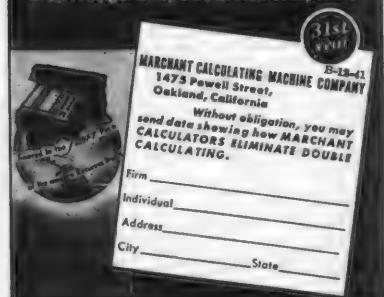
Answer: Calculating twice—in order to prove correctness of first calculation.

MARCHANT INTERNAL AUDIT CALCULATING IS SELF-PROVING —THE FIRST TIME!

Easy Marchant calculating procedures provide internal audit control so that the first calculation is self-proving. These Marchant methods also prove that the answer is correctly copied to the finished work. By this novel and exclusive Marchant process, "twice over" calculating is eliminated from a wide variety of work—for all time!

MARCHANT CALCULATING MACHINE COMPANY
HOME OFFICE: OAKLAND, CALIFORNIA, U. S. A.

Sales Agencies and Manufacturers' Service Stations
in All Principal Cities. Give Service Every Where!



The New Gift Taxes

J. BLAKE LOWE AND JOHN D. WRIGHT

The authors are members of a firm of tax consultants, with offices in Baltimore, Maryland.

*A*n understanding of the gift tax law and its relation to the new Federal income and Federal estate taxes may be of vital significance to men and women of substantial means.

Under the 1941 Revenue Act, the new gift tax rates do not become effective until January 1, 1942. Individuals, therefore, who may be contemplating substantial gifts, either outright or under trust, should consummate such transfers prior to that date.

The present gift tax rates are three-fourths of the old estate tax rates. Of even greater significance, however, the rates apply to gifts in the lowest tax brackets and the assets transferred are taken out of the new and highest estate tax brackets—provided, of course, that the transfers are not held in contemplation of death. In addition, the income, from the assets given outright or transferred under properly drawn trusts, is taxable to the donees or the trustee instead of to the donors. In some cases, the savings in the donor's income tax for one year will more than offset the gift tax paid.

Use of the Exclusions and Exemption

U NDER the existing Federal gift tax law, the individual has an exemption of \$40,000, which is similar to and in addition to the exemption allowed under the Federal estate tax. He also has the right to give away up to \$4,000 per person per year without using any part of his gift tax exemption. This is known as the annual exclusion, because it is excluded from the class of taxable gifts and is not a part of the \$40,000 exemption unless it is a gift in trust or of a future interest.

In other words, if Mr. A has a wife and three children, he can give to each one of them \$4,000 in assets (a total of \$16,000) without using a part of his specific \$40,000 gift tax exemption. He may also transfer an additional \$40,000 of assets before he is subject to a gift tax. The latter may be made to one person or divided between a number of persons; it may be consummated in one transaction or divided into a number of instalments in one or more years.

No gift tax return is necessary unless the gift is in excess of the \$4,000 exclusion per person. If any part of the \$40,000 exemption is used, the donor must file a gift tax return on March 14, although no gift tax is payable.

The Case of Mr. B

*T*HE case of Mr. B provides a practical illustration. Although he has already used his 1941 exclusions, he has never utilized any part of his \$40,000 exemption. Any additional gifts this year, therefore, will be taxfree up to \$40,000 and subject to a gift tax in excess of that amount. Mr. B has a net taxable estate at this time of \$500,000. He has a total income of \$50,000 (\$20,000 earned income and \$30,000 unearned income).

Under the new laws, in the event of Mr. B's death, his estate is subject to a tax of \$145,700 (his top estate tax bracket being 32 per cent). This year he will pay an income tax of approximately \$21,000 (his top surtax rate being 55 per cent).

If Mr. B at this time transfers to his wife or children an additional \$100,000 in assets, what are the tax ramifications?

In the first place, he would pay a gift tax on \$60,000 (\$100,000 gift less \$40,000 specific exemption). The tax would be \$3,150. After January 1 the tax on the same transfer will be \$7,125.

The income from the assets transferred, however, would be taxable to his wife or children, depending of course to whom the gift was made and in their low income tax brackets instead of in his top brackets.

If the transfer is made for the purpose of saving income taxes or for other reasons that are motivated by life interests, in the event of Mr. B's death, the \$100,000 transfer is removed from his taxable estate and there is an estate tax saving of \$32,000.

It is still possible that a subsequent administration bill may make it mandatory that husband and wife file joint income tax returns. In that event, of course, a transfer of income-producing assets between spouses would not result in an income tax saving. A transfer of such assets to children or other beneficiaries, however, would result in an income tax saving in any case. The estate tax saving, on the other hand, may more than justify the transaction.

The Gift Tax Table

THE TABLE BELOW shows the gift tax payable on net amounts transferred in excess of the exclusions and exemption. The fifth column shows the present tax under the old rates, and the last column the tax which will become effective on January 1.

Net Gifts After Exemption (1)	Rate of Tax Old Law* (Per cent)	Total Tax on Gifts in Column 2	
		Old Law*	New Law
\$ 0 to 5,000	1 1/2	2 1/4	\$ 75.00 \$ 112.50
5,000 to 10,000	1 1/2	5 1/4	150.00 375.00
10,000 to 20,000	3	8 1/4	450.00 1,200.00
20,000 to 30,000	4 1/2	10 1/2	900.00 2,250.00
30,000 to 40,000	6	13 1/2	1,500.00 3,600.00
40,000 to 50,000	7 1/2	16 1/2	2,250.00 5,250.00
50,000 to 60,000	9	18 1/4	3,150.00 7,125.00
60,000 to 100,000	9 -10 1/2	21	7,200.00 15,525.00
100,000 to 250,000	12 1/4 -15	22 1/2	27,450.00 49,275.00
250,000 to 500,000	15 -17 1/4	24	67,200.00 109,275.00
500,000 to 750,000	17 1/4 -19 1/2	26 1/4	113,700.00 174,900.00
750,000 to 1,000,000	19 1/4 -21 1/4	27 1/4	166,950.00 244,275.00
1,000,000 to 1,250,000	24	29 1/4	226,950.00 317,400.00

*The 10 per cent defense tax must be added

Gifts in Trust

A GIFT can be made outright or it can be made in trust. If it is made in trust, the donor does not have the benefit of the \$4,000 annual exclusion per person, although he is still able to use the \$40,000 gift tax exemption. His exemption is allowed regardless of how the gift is made, but the exclusion may be applied only to outright gifts and not to gifts in trust or of a future interest.

Under a gift in trust, it is important to remember that the grantor cannot retain any incidents of ownership if he hopes to eliminate the amount trans-

ferred in his taxable estate. If the trust is made irrevocable and the grantor retains no right to income or principal, a gift is made to the extent of the value of the trust.

Gifts to Charity

*I*n the following example, it may be noted that a gift to charity is not taxable regardless of the amount involved. Conversely, a gift of a future interest, as indicated below, is taxable in full. A gift of a future interest occurs when the rights of the donee (the one who receives the gift) are deferred—for instance, when the beneficiary has a

The Ideal Amount of a Gift

*W*HEN an individual contemplates the transfer of assets with the primary objective of minimizing his taxes, the amount of the gift may be a problem. Each case must be decided in the light of all the facts. For instance, an individual past middle life leaving a large estate, may well afford to make a substantial gift. In this case, points which favor such a transfer include: less sacrifice since the loss of personal income is not important; the likelihood of an adverse change in domestic relations is minimized; and the immediate saving in income taxes and the ultimate saving in estate taxes is greater. The table below shows the present value of future tax savings, assuming the gift is not in contemplation of death.

Rate of gift tax (with- | Actual cost of gift, based on 3 1/4 per cent compound interest due to out 10 per cent defense | payment of the tax now—where the life expectancy of the donor is: tax added)

	5 yrs.	10 yrs.	15 yrs.	20 yrs.	25 yrs.	30 yrs.	40 yrs.
3 per cent	3.6	4.2	5.0	6.0	7.1	8.4	11.9
4 1/2	5.3	6.3	7.5	9.0	10.6	12.6	17.8
6	7.1	8.5	10.0	11.9	14.2	16.8	23.8
7 1/2	8.9	10.6	12.6	14.9	17.7	21.1	29.7
9	10.7	12.7	15.1	17.9	21.3	25.3	35.6
10 1/2	12.5	14.8	17.6	20.9	24.8	29.5	41.6
12 1/2	15.1	18.0	21.4	25.4	30.1	35.8	50.5
15	17.8	21.2	25.1	29.8	35.4	42.1	59.4
17 1/2	20.5	24.3	28.9	34.3	40.8	48.4	68.3
19 1/2	23.2	27.5	32.7	38.8	46.1	54.7	77.2
21 1/2	25.8	30.7	36.4	43.3	51.4	61.1	86.1
24	28.5	33.9	40.2	47.8	56.7	67.4	95.0

THE NEW YORK TRUST COMPANY

Capital Funds . \$37,500,000

100 BROADWAY

MADISON AVENUE
AND 40TH STREET

TEN
ROCKEFELLER
PLAZA

Member of the
Federal Deposit
Insurance Corporation

Insist that your fire
insurance bears these
outstanding symbols



NATIONAL UNION
FIRE INSURANCE
COMPANY

Pittsburgh, Pa.

DEPENDABLE PROTECTION



An important new address in the banking world—

300 MONTGOMERY STREET SAN FRANCISCO, CALIFORNIA

This is the new head office of

Bank of America NATIONAL TRUST AND SAVINGS ASSOCIATION

MEMBER . . . FEDERAL RESERVE SYSTEM — FEDERAL DEPOSIT INSURANCE CORPORATION

COMPLETE BANKING FACILITIES IN EACH OF 495 BRANCHES
IN 307 CALIFORNIA COMMUNITIES

Commercial - Savings - Trust - Safe Deposit

Main offices in two reserve cities of California . . . San Francisco - Los Angeles

"Serves you best in the West"



Blue and gold BANK OF AMERICA TRAVELERS CHEQUES are available through authorized banks and agencies everywhere. Carry them when you travel.

remainder interest to take effect after the death of the life tenant. Example: Mr. B made these gifts in 1940:

	Exclu- sions	Taxable Gifts
To charity	\$100,000	\$100,000
To C	20,000	4,000
To D	80,000	4,000
To E	4,000	4,000
To F (of a future interest)	15,000	0
Total taxable gifts in 1940		\$107,000
Less specific exemption (if not already used)		40,000
Amount subject to tax		
To calculate gift tax— tax on \$50,000	\$2,250	
tax on \$17,000 @ 9 per cent	1,530	
Gift Tax	\$3,780	
Defense tax	378	
Total Gift Tax		\$4,158

In the above illustration, if Mr. B had made gifts prior to 1940 amounting to \$10,000 in excess of the allowable exclusions, he would have an exemption of only \$30,000 remaining, instead of the \$40,000 indicated. On the other hand, if prior to 1940 gifts of \$100,000 in excess of the exclusions had been made, Mr. B would have already exceeded his entire exemption (\$40,000) by \$60,000. Then in 1940, his total taxable gifts would have been the full amount of \$107,000, and he would have been taxed on a gift of \$167,000 less the tax paid on his previous gift. The gift tax is a cumulative one.

Serving the
Business that
Builds Baltimore

SINCE 1894



MARYLAND
TRUST COMPANY
BALTIMORE

Member of the Federal Reserve
System and of the Federal Deposit
Insurance Corporation

This is the Desk
that a Cow
made famous

It was Mrs. O'Leary's
cow that kicked over
the lantern that started
the blaze that fired Chicago that
developed into one of the greatest
conflagrations in recorded history.



CHICAGO IN FLAMES—The rush for life over Randolph Street Bridge
—from a sketch by John R. Chapin

IN THIS roaring holocaust the Chicago office of THE HOME INSURANCE COMPANY was burned to ashes. This did not, however, prevent settlement of claims insured by the Company. H. H. Walker, Adjuster of THE HOME, sat behind this desk, which is now in the H. V. Smith Museum collection; and from improvised headquarters accomplished settlement of losses amounting to more than \$3,000,000. The promptness and reliability with which insured losses were paid emphasize today the calibre of protection always afforded by companies of THE HOME FLEET.

On the back of one of the drawers in the desk, H. H. Walker wrote these words, "This desk I desire to pass in the family down to the youngest son as a memento of the 60 days' hard work by its possessor at Chicago, Ills. 1871."

★ THE HOME ★
Insurance Company
NEW YORK

FIRE • AUTOMOBILE • MARINE INSURANCE

METHODS and IDEAS

This department of BANKING is conducted by our Methods and Ideas reporter, John J. McCann.

Historical Skit

A FEATURE of the 50th anniversary of the TRUST COMPANY OF GEORGIA, at the Brookhaven Country Club, Atlanta, in which 400 employees, officers and directors of the Trust Company and associate banks participated, was a dramatic and entertaining portrayal of the various functions of the company, with enlightening facts about its steady growth through the years.

The medium for this semi-historical, factual presentation was a three-act skit entitled, "A Tour Through the Trust Company," enacted by members of the company's staff. Narration and historical data linking the story coherently from scene to scene was effectively presented. Brief, pointed narration opened the playlet, filled in between acts, and closed it with a punch.

The Factoring Division of the Trust Company of Georgia visualized its credit plans in a history-tracing skit. *Left to right*, E. J. Jackson, Roberta O'Brien, Andrew D. Bates, and A. H. Sterne



The history, operations, and growth of the various departments were explained by the department heads. Humor and interest were provided by Mrs. Margaret Dilbeck, in the role of a pretty young widow whose spending proclivities added to the troubles of the trust officer. Two attractive secretaries, Misses Nettie Regan and Roberta O'Brien, added a touch of oomph to the skit.

Safe Deposit

SOMETHING NEW in safe deposit promotion has been developed by the EAST

RIVER SAVINGS BANK of New York City. Box renters receive an attractive and convenient guide intended to tell "the next of kin" where important facts and papers may be found, just in case of emergency, protracted illness, or worse. The guide is a fill-in form to list the location of the will, names of attorney, executor, insurance adviser, banks, choice of funeral director and cemetery. A line of type indicates that passbooks, insurance policies and other important documents are kept in the bank's safe

(CONTINUED ON PAGE 52)

This is under no circumstances to be construed as an offering of this Capital Stock for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Stock. The offer is made only by means of the Prospectus.

NEW ISSUE

160,000 Shares

THE PENNSYLVANIA COMPANY FOR INSURANCES ON LIVES AND GRANTING ANNUITIES

Capital Stock

Par Value \$10 per Share

Price \$28 per Share

"when, as and if issued and accepted by the several Underwriters and subject to the approval of counsel, to prior subscription by the Company's shareholders or their assigns, and to withdrawal, cancellation or modification of such offer without notice." The several Underwriters reserve the right, in their discretion, to reject in whole or in part any orders for the purchase of the shares, to make allotments in respect of any orders or any part thereof and to make allotments at any time in respect of any such orders or any part thereof without the same being subject to prior subscription by the Company shareholders or their assigns.

Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer this Stock in compliance with the securities laws of the respective States.

SMITH, BARNEY & CO.

HARRIMAN RIPLEY & CO.
Incorporated

BLYTH & CO., INC.

DREXEL & CO.

THE FIRST BOSTON CORPORATION

MERRILL LYNCH, PIERCE, FENNER & BEANE KIDDER, PEABODY & CO.

November 7, 1941

INTERNATIONAL BUSINESS MACHINES CORPORATION

GENERAL OFFICES,
590 MADISON AVENUE
NEW YORK



DIVISIONS:

ELECTRIC ACCOUNTING MACHINE DIVISION
INTERNATIONAL TIME RECORDING DIVISION
INTERNATIONAL SCALE DIVISION
ELECTRIC WRITING MACHINE DIVISION

December 1, 1941

SUBJECT: FEWER RECORDS IN
PERSONAL TRUST ACCOUNTING

Another of the important advantages of the IBM Electric Punched Card Method in Personal Trust Accounting is the small number of records that are maintained. Once recorded in terms of punched holes in cards, the same information can be used repeatedly to produce whatever statements and reports may be needed...instead of having to be transcribed many times.

There is no need for separate Investment, Income Collection, Income Tax Court Accounting and other operating division records. All the reports needed are automatically, accurately and economically prepared from a few original punched card files. A punched card Account Asset Ledger, for instance, makes it unnecessary to maintain an investment division account record, a personal property division record, and an address file.

Many banks are realizing higher operating efficiency and worthwhile economies, not only in their Personal Trust Accounting, but in other operating divisions as well, through the use of punched cards and IBM Electric Accounting Machines.

We should like an opportunity to show you how this modern, automatic accounting method can be applied in your bank.

Very truly yours,

IBM Corporation

10-4387-0

SALES OFFICES AND SERVICE STATIONS IN PRINCIPAL CITIES OF THE WORLD

METHODS—Continued

deposit department. The form also provides for a date and signature. The motif of the folder suggests a buried treasure. Copy leads off with the thought that it might as well be buried where "X" marks the spot unless the guide is filled out for the next of kin.

H. C. of L.

BANKS OVER the country have devised a variety of bonus plans to compensate employees for increased living costs. Here are a few examples:

The First National Bank of New

York pays 6 per cent quarterly on the first \$1,800 and 4 per cent on the next \$1,200 of salary not exceeding \$5,000. Officers are excluded. There is no continuing commitment and payments are made on other than regular salary dates to emphasize their special nature.

The Marine Midland Trust Company, New York City, announced a salary bonus for the quarter commencing November 1 for all employed six months or more, on the basis of 6 per cent on the first \$3,000. No future commitments were made. The Land Title and Trust Company, Philadelphia, operates a plan on the same basis.

Federal Reserve banks of Cleveland and Philadelphia have announced supplementary bonuses. The American National Bank & Trust Company of Danville, Virginia, will pay a 5 per cent bonus for the quarter ending December 31, applied to the first \$250 of salary.

V's

THE NASHVILLE TRUST COMPANY, Tennessee, takes the initiative and starts its own "V for Victory" campaign with attractive blue and red windshield stickers. The first run of 5,000 were put under the windshield wipers of cars parked on the streets and in parking lots by Western Union messengers. The idea struck the fancy of Nashville patriots and 10,000 more were ordered to fill requests. Under the "V for Victory" slogan appears this line in small type "Compliments NASHVILLE TRUST CO." It's a mighty effective promotion for any state which does not have restrictions on obstructing windshield vision with stickers.

...

ANOTHER V CAMPAIGN, tied-in with Defense Bond selling, appears over the signature of the FIRST NATIONAL BANK of Portland, Oregon. These small single column newspaper ads follow the "teaser" technique. The outstanding feature of this series is its consistency in plugging the letter "V" with clever cartoons, and a complete absence of the



Being a good neighbor is a full-time job



When you have a good neighbor, you have a good friend . . . day in, day out — year in, year out.

Your Standard agent or broker is just such a good neighbor. He is always available . . . to help you choose the insurance policy or bond best suited to your specific needs, to help you get maximum coverage at minimum premium cost. And, when losses occur, you'll find him right there to give you needed counsel and help.

There are thousands of these Standard "good neighbors" throughout America. Whether it is protection against loss due to automobile accident; burglary; embezzlement; injury to you, your employees or the public; or other similar hazards, the Standard representative serves you throughout the year — a constant good neighbor in action!

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satifies . . . Since 1884

sob sister flavor. They get a chuckle, but the whole presentation is strong.

Good Neighbor

THE CHASE NATIONAL BANK of New York is among the 17 American business firms which have subscribed funds to create 25 scholarships for Latin American students sponsored by the City of New York. These one-year scholarships will entitle students to free tuition at city schools and colleges, with board and lodging at the International House on Riverside Drive, and prepaid transportation expenses to and from their homes in Latin America. The objective of the program is to permit representa-

tive college and high school students of our sister republics to learn and understand this country and its institutions by actually living part of their student life here.

Housing

EFFICIENCY, SPEED, MONEY—all looking toward production and more production—are the keynote of Virginia's defense efforts, centered in the Hampton Roads area, where facilities are being rapidly expanded for the production and repair of ships, planes, and other necessary items of defense. The first and foremost requirement of the new population of workers attracted by this extensive defense job is adequate housing. Cradock Gardens, near Portsmouth, is one of the typical subdivisions of 261 modern low-cost homes being completely financed by the MORRIS PLAN BANK OF VIRGINIA under FHA. These homes are priced to appeal to the average income group, and contain five large livable rooms with all modern conveniences. The bank's total commitments in the defense area for home financing of this type total more than \$3,000,000.

Defense Display

DRY DOCK SAVINGS INSTITUTION of New York City developed an effective defense display with a group of American naval vessel models at its uptown office. Commander F. K. O'Brien, of the Navy Recruiting Service, officially opened the display which comprised handmade replicas of various ship classes used throughout the Navy's history. President Andrew Mills pointed out that the purpose of the exhibit was to show both the public and the bank's depositors just how funds raised by the sale of Defense Bonds were being used by the Government. It is this type of attention-getting publicity that has enabled the DRY DOCK to sell a total of \$3,000,000 in Savings Bonds and Stamps in the first six months of promotion.

The Ad That Failed

HAVING READ SOMEWHERE that there is more than one way to skin a cat, the CALIFORNIA BANK of Los Angeles recently tried one of the other ways, as witness this advertising copy which ran in 50 West Coast newspapers:

"We bought us a cute little model car and stuck it on the counter at the main office recently. Seemed as though it ought to be a good ad for our auto loan service; but it doesn't seem to work. Folks look at it and say, 'Is it for sale?' We say it's not and would they be interested in a loan to finance the purchase of a car. 'Do the wheels go round?' they

want to know. Again we say 'no' and try to get the conversation back to



Mildred Neer inspects model automobile used to advertise auto loans

loans. 'Does this turn? . . . Oh, it broke. Not very strong, eh?' And off they go to make a deposit and we have a talk with the elevator boys to see if they have any ideas about how to advertise California Bank auto loans."

Service Charge

M. C. PFEFFERKORN, vice-president, THE FIRST NATIONAL TRUST AND SAVINGS BANK, San Diego, California, makes the following observations on the history of service charges:

"In 1915 a group of San Diego bankers discussed the possibility of starting a banking practice committee. It was



How the "Iron Horse" helped Chicago grow

IMAGINE a freight train *one hundred and fifty miles long*. That's the approximate amount of freight moving into and out of Chicago *daily*! Imagine passenger trains entering and leaving a city at the rate of *one every minute*. That's what happens in Chicago almost every day in the year!

The railroad industry has contributed greatly to Chicago's progress. It has helped to make possible the growth of this bank and its services. The Continental Illinois National Bank and Trust Company is proud of its association with forward-looking industry in the Chicago area.

**Continental Illinois
National Bank and Trust Company**

OF CHICAGO

Member Federal Deposit Insurance Corporation

not an easy task in those days, for it was customary for each clearinghouse representative to receive advance instructions from his bank on how to vote on each proposition. After the first few meetings, members craved an opportunity to express themselves—not as voters—but rather as free agents and representatives of the clearinghouse.

"The final outcome of these meetings was the creation of printed rules on service charges—the first of its kind published in the country. From the moment they were installed it was found that the little fellow was more than willing to pay his share, but to everyone's sur-

prise there arose quite an antagonistic attitude among a good many business accounts. Frequently, the matter was settled not by discussion but by simply charging the account in accordance with a well established analysis.

"Times have changed greatly and a revision of our present method is in order. Increased bank balances will not solve the problem of the moment. Banks are now loaded with surplus funds which cannot be profitably invested. Additional deposits mean only extra expenses with nothing in sight to even cover the cost of Federal deposit insurance.

"It is my belief that the average daily balance for the month should be used only in cases where the maximum and the minimum are about the same size. An account which accumulates funds at the beginning of a week or month and then loses the surplus at the end of such periods simply indicates that the bank is performing the duties of a bookkeeper without receiving adequate pay for the work.

"I believe that an up-to-date analysis should be as follows:

Minimum monthly balance	\$	_____
Less float and reserve on that day		_____
Amount available for investment at average rate		_____
Plus interest received (since people are now able to borrow with ease without carrying compensating balances, it may be the proper thing to allow for part of the interest received on borrowings)		_____
Total earnings		_____

Less cost of carrying the account, which should include besides the usual items, the expenses of handling silver, currency, preparing payrolls, change for chain stores, transfer of deposits from branches to main office, the mailing of duplicate and triplicate deposit tickets, including the outlay of postage, cost of checks, deposit tickets, coin wrappers, pay envelopes and many other like items.

Perhaps charging for payroll accounts, irrespective of balances carried, would not be out of order.

"When you do approach your depositor on the subject, have a definite statement in view, sell your services to the merchant in the same manner as he sells his to you. His bill is mailed to you regularly each month, why not do likewise *without exception*."

"E" for Excellence

THE Navy "E"—a distinction sought by every U. S. Navy ship from gunboat to dreadnaught, by every Navy man from seaman to admiral—has been awarded for the first time to American industries



for outstanding contributions to the national defense program. Carrier Cor-

1857 ★ 1941

Dependable
Responsible
Efficient

MERCANTILE-COMMERCE
Bank and Trust Company
SAINT LOUIS

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

poration, pioneer of air-conditioning, was among the first 25 firms entitled to fly the Bureau of Ordnance flag and the Navy "E" pennant, and in tribute to a home industry, THE FIRST TRUST & DEPOSIT COMPANY, Syracuse, New York, displayed the awards in its main office lobby together with photographs of the official presentation ceremonies. Here's a thought for tie-in publicity for banks serving the other 24 original industries as well as those which will be honored in the future.

Drive-In Office

WORCESTER COUNTY TRUST COMPANY, Worcester, Massachusetts, recently opened the first drive-in bank office in New England. The inauguration ceremonies were attended by representatives of prominent New England banks and industrialists. Mayor Bennett, as guest of honor, officially opened the office for public inspection, while the entire ceremonies were broadcast over station WTAG. This office was opened to relieve the acute parking



A bird's-eye view of the new drive-in office and parking lot

problem in the downtown area. Parking facilities are offered free for the first half-hour, and a nominal charge for over-time. The office has complete facilities with the exception of trust and safe deposit. However, the parking arrangement allows ample time for the depositor to walk to the bank's main office for these and other services.



The educational displays at American Bankers Association conventions and regional conferences have become more and more instructive and have aroused the increasing interest of delegates and visitors. They will be carried on in connection with the meetings next year. This photo happens to have been taken at the Chicago convention



The Sociable Fiend

Fire is sociable; it goes where it is *asked*. The invitations? They are the danger spots that exist in some plants in spite of precautions owners take.

How to find these hazards and get rid of them? Have an experienced IRM fire-prevention engineer ferret them out. He knows what to look for — and where. He can help you make the property in which you are interested an improved risk — if it isn't one already — eligible for IRM protection.

Your advantages? Less likelihood of fire accompanied by loss of business to competitors which results from the forced shutdown of a damaged plant. If fire should occur, you would receive a prompt and fair adjustment of losses in the IRM tradition.

It naturally follows that reduced fire hazards mean a reduced number of loss claims — a fact, coupled with sound management, that has enabled IRM to return a substantial portion of the annual premiums to policyholders every year since this group was founded.

If you want sound indemnity at minimum cost, send for an IRM representative today.

IMPROVED RISK MUTUALS

60 JOHN STREET, NEW YORK



A nation-wide organization of old established, standard reserve companies writing the following types of insurance: Fire • Sprinkler Leakage • Use and Occupancy • Tornado and Windstorm • Earthquake • Rents • Commissions and Profits • Riot and Civil Commotion • Inland Marine

An Eye on Foreign Funds

(CONTINUED FROM PAGE 24)

here. Each such office was a potential front for fifth-column activity. They also gave the Nazis lists of American residents with sentimental and blood

ties in Germany. Even where such residents were not sympathetic with the Nazis cause, through their relatives in Germany—disclosed to the Nazis

under this system—pressure could be brought on them to serve Nazi purposes here; and that this has been done by the Nazis repeatedly, even in the cases of pauperized refugees, is well known in Washington. There is no good reason why remittances to relatives in Axis-controlled areas should ever be handled, except through regular banking channels.

Another way in which foreign funds control has been serving the defense program has been in the locating of strategic and critical materials held by or for blocked nationals. Among such assets uncovered by the Treasury have been stocks of copper, aluminum, shipbuilding materials and airplane spruce. Existence of these supplies became known to the Government through the fact that banks must report bills of lading, warehouse receipts, and any other documents of title held by them for blocked accounts. Applications for licenses to dispose of the property or to pay storage fees and other charges revealed the existence of other foreign-owned defense materials in this country.

IN 1940 a procedure was worked out for passing on such information to the appropriate defense agencies, such as the OPM, the Army, the Navy, lend-lease authorities, and the Treasury's Procurement Division. By withholding action upon applications to export or dispose of strategic materials, the Foreign Funds Control prevented the materials from leaving the country or from going into non-defense industries, until the defense agencies could arrange for their requisition or purchase.

Thus, a large quantity of French-owned spruce wood was, with the Treasury's intervention, licensed for sale to aircraft manufacturers with OPM's approval.

A number of machine tools held in New York for a blocked account were speedily turned to American aircraft production through the efforts of the Foreign Funds Control. When the tools were located in the warehouse of a freight forwarder, the information was brought to the attention of an aircraft company which needed the tools to eliminate a bottleneck in the production line. At the request of a representative of the manufacturer, Foreign Funds Control acted to make the tools immediately available. By telephone, terms of sale were arranged with the freight forwarder. Within the hour a license was issued, permitting him to sell the machine tools, and within two days the tools had been shipped to the manufacturer, set up, and placed in operation.

Promoting FOREIGN TRADE

THE ROYAL BANK OF CANADA maintains over 600 branches in Canada and Newfoundland, 41 branches in the West Indies and 21 branches in Central and South America, also in London. Each office is fully equipped to extend every possible banking cooperation and to facilitate your customers' foreign trade . . . Enquiries invited through our Business Development Department, New York Agency, 68 William Street.

THE ROYAL BANK OF CANADA

Resources over
\$1,000,000,000



Head Office
MONTREAL

An International Bank Serving 26 Countries

DEPENDABLE

FULTON CORRESPONDENT SERVICE

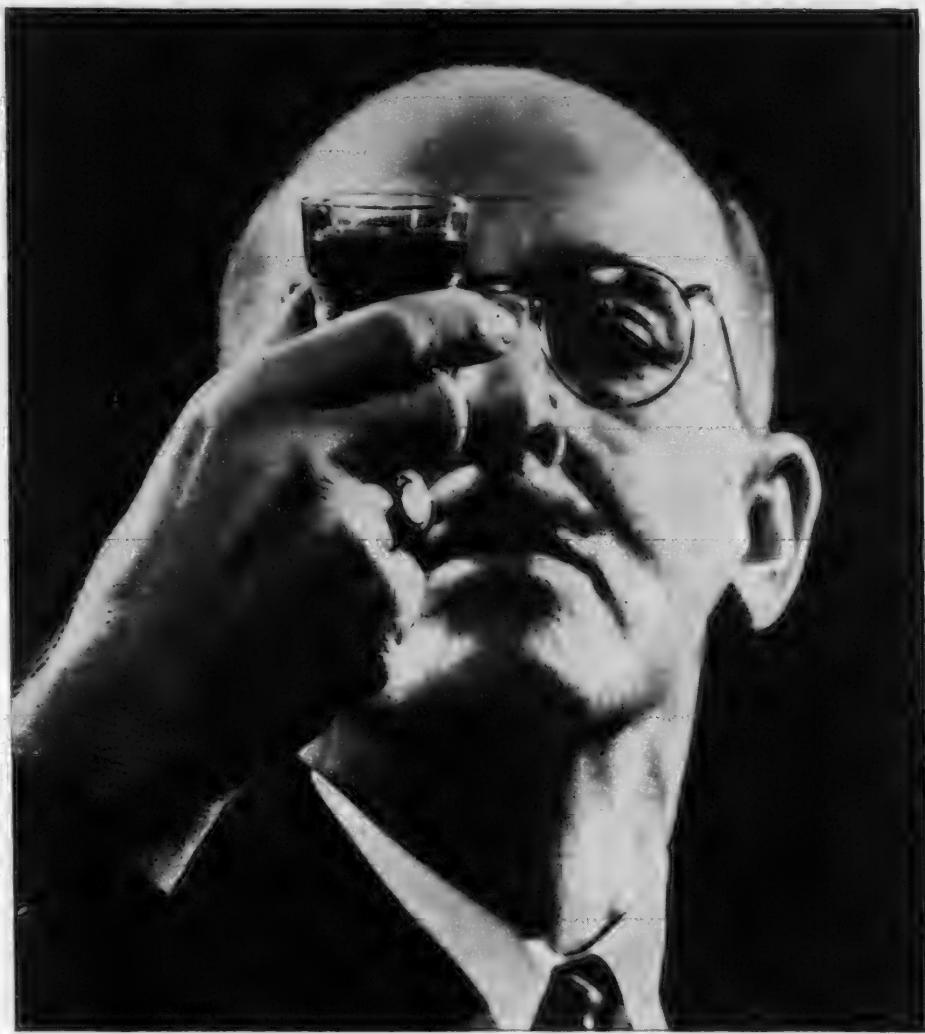


FULTON NATIONAL
ATLANTA *Bank* GEORGIA



NEW YORK: 72 Wall Street • CHICAGO: 1 No. LaSalle Street • SAN FRANCISCO: 37 Drumm Street • LOS ANGELES: W. P. Story Bldg • Buffalo • Boston • Philadelphia • Kansas City, Mo • St. Louis • New Orleans • Minneapolis • Dallas • Houston • Denver • Fresno • Portland, Oregon • Seattle • Spokane • Honolulu

IF YOU'RE LOOKING FOR MORE LOANS



CONSIDER LIQUOR

Increased prices and taxes

have forced liquor distributors to carry a hampering amount of working capital in inventory under present conditions. Your Bank, with Lawrence System, can constructively and profitably release the greater part of such funds through the use of Lawrence Field Warehouse Receipts issued against the inventory **RIGHT ON THE PREMISES OF THE BORROWER**. Stocks of liquor won't fit into your vaults; but, when hypothecated to your Bank with our Warehouse Receipts, they constitute grade-A collateral for loans. Write for descriptive booklets telling how your Bank can increase its loans and profits.

Lawrence System FIELD WAREHOUSING • FOR BANK LOANS AGAINST INVENTORY

Heard Along MAIN STREET

This material is compiled for BANKING by Albert Journeay, who is in charge of the Purse Company's Chicago office.

MISS GLADYS GREENWOOD, secretary in the trust department of The Minnesota National Bank of Duluth, won the recent county-wide

ad-writing contest sponsored by the Duluth Defense Bond Committee in cooperation with the Duluth *Herald* and *News Tribune*. Seventy-six advertisements were contributed to the contest by the employees of competing business firms.

Miss GREENWOOD's reward was an all-expense trip to Washington where she was presented with a \$50 Defense Bond by Secretary Morgenthau. After

her Washington visit she spent a few days sightseeing in New York. This was her first visit to both cities. Her bank gave her 10 days' extra vacation in which to make the trip.

Miss GREENWOOD's prize-winning advertisement was used by her bank in the local papers. Under the heading, "Today's 'All-American' Investment," it reads:

"U. S. Defense Savings Bonds and Stamps

"Just as your heart swells each time the band plays the 'Star Spangled Banner,' so will your heart feel good when you purchase a Defense Savings Stamp or Bond.

"For school children—for corporations—United States Savings Stamps and Bonds represent the highest grade investment for every class of investor.

"To preserve the glorious freedom, and safety, and rights of individuals that are ours in this United States, help defend 'The Land of the Free'—

"BUY A BOND TODAY

"We shall be glad to serve you."

The ad concludes with the bank's signature and a map of Minnesota.



American Foreign Trade carries on

Despite exchange regulations, blocking regulations, export licensing, and war-time hazards, American foreign trade carries on. Statistics show that both imports and exports in recent months exceed the dollar volume for the corresponding period last year.

A striking feature shown by these current statistics is the shifts taking place in the destination of our exports and the origin of our imports.

The Foreign Department of Manufacturers Trust Company continues its active role of facilitating the movement of merchandise between countries. Customers find our highly trained staff increasingly valuable in coping with the ever changing conditions.

Domestic banks are cordially invited to make full use of our extensive facilities. They are assured of efficient and friendly service.

MANUFACTURERS TRUST COMPANY

PRINCIPAL OFFICE AND FOREIGN DEPARTMENT
55 BROAD STREET, NEW YORK



Member Federal Reserve System
Member New York Clearing House Association
Member Federal Deposit Insurance Corporation



Miss GREENWOOD joined the staff of Minnesota National 10 years ago, at the age of 16, the day following her graduation from high school. This was her first attempt to write an advertisement.



THE October issue of *Canadian Business*, in a picture story of the annual convention of the Canadian

Modern Pensacola, Florida Bank Posts Ledger and Statements on MONROE BOOKKEEPING MACHINES



Bookkeeping Department installation of Monroe Bookkeeping machines
at The Citizens and Peoples National Bank, Pensacola, Florida.

Original installation Monroe Listing Machines JUSTIFIES adoption of Monroe Bookkeeping Machines. THE EVIDENCE is quoted.

PERFORMANCE "We purchased your adding machines a few years ago and based on their satisfactory performance installed three Monroe Bookkeeping machines to post Ledger & Statements over a year ago.

"Striking example of Monroe ease of operation and flexibility was demonstrated when peak load caused use of another make reserve bookkeeping machine. Operators now preferred to operate Monroe machines although they opposed original installation."

SERVICE "Service from local Monroe Pensacola office has been most satisfactory.

"At the time of original installation service was given from Monroe office out of state—still satisfactory due to 2½ hour service.

"Delighted to advise you of our satisfactory experience with your listing and bookkeeping machines."

Experiences of many other banks throughout the country with Monroe Listing and Bookkeeping machines has been similar to those expressed here. During the Defense Emergency, because of which non-defense deliveries are delayed, we suggest that you increase and prolong the use of your Monroe equipment.

MONROE CALCULATING MACHINE COMPANY, INC., ORANGE, NEW JERSEY
Reasonable, prompt and efficient service available from all principal cities

MAIN STREET—Continued

Chamber of Commerce, included a photograph of J. W. SPANGLER, vice-president of the Seattle-First National Bank. The caption referred to Mr. SPANGLER as "a genial American visitor . . . and also an outstanding ambassador of goodwill."



AFTER 36 years of continuous service with the Washington Mutual Savings Bank, Seattle, RAYMOND R. FRAZIER, chairman of the board of the bank's trustees resigned to take his "second

real vacation." He will continue on the bank staff in an advisory capacity.

The *Seattle Times*, commenting editorially on Mr. FRAZIER's retirement said: "Ralph Waldo Emerson's definition of an institution is vividly recalled as we reflect, upon learning of the resignation of Raymond R. Frazier as chairman of the board of the Washington Mutual Savings Bank, that the story of one of Seattle's most familiar and useful institutions, since the turn of the century, is very largely the story of the vision, the integrity and the industry of this 'one man.' He will be much missed by his associates . . ."

RECENTLY the enterprising city of Tyler, Texas, celebrated "Gus Taylor Day." On that day the citizens of Tyler and of East Texas joined together to do honor to GUS F. TAYLOR, president of the Citizens National Bank, on his 80th birthday.

Mr. TAYLOR was born, grew up, and reached success and popularity in Tyler. In fact, he never moved more than seven miles from his birthplace on the old Belzora Road.

Some idea of Mr. TAYLOR's value to his community and the regard in which he is held may be gleaned from the following extract of an editorial concerning him which appeared in the *Tyler Sunday Courier-Times Telegraph*:

"In every prospering community is one man whose wisdom, humanity, and genius for leadership makes his name symbolic of the total achievement of the city in which he has lived and done his work. In Tyler that man is GUS F. TAYLOR."



LEONARD P. EAGER, president, Union Bank & Trust Company, Evansville,

ALWAYS READY

A feature of this bank's service to other institutions throughout the country is its willingness to take care of difficult matters in the same efficient manner as it handles ordinary transactions. We are always ready to help whenever you have an unusual problem in New England.



The National Shawmut Bank

40 Water Street, Boston

Member Federal Deposit Insurance Corporation

WRIGHTFLOR—A LASTING INVESTMENT



3,100 sq. ft. of Wrightflor installed in the Visking Corporation Cafeteria, Chicago, by Reuter-Dahl-Blodgett, Chicago.



Far-sighted investors, the country over, are enjoying big returns for their flooring dollars where Wrightflor is installed. Its inherent qualities make it adaptable to practically every floor area. It reduces noise and fatigue. It is impervious to alkalies, ink, stains . . . remarkably easy to clean. Conforms neatly to



wood or concrete subfloors — old or new, is flexible without cracking. Once down it stays down, offering lasting satisfaction, longer life and lower maintenance. Consult your architect or flooring contractor — or write us direct for further details.

WRIGHT RUBBER PRODUCTS COMPANY

1619 LAYARD AVE.

RACINE

WISCONSIN

WRIGHT RUBBER TILE

ROBERT BIEL, of the Mercantile Branch of The Chase National Bank of New York, was awarded a rare decoration for distinguished service during

World War I—the Navy Cross—on which the citation reads: "For distinguished service as Commander of the Armed Guard of the *S. S. Orion* in encounter with enemy submarines . . .".

The *Orion* was in the Merchant Marine and was off of the Azores en route to Italy with a cargo of coal. Mr. BIEL was in charge of the armed guard on board and had 12 men under him. The boat was not equipped to fight—it had guns fore and aft, in case of attack, and was going at full speed. Suddenly a "sub" was sighted about 500 yards off the port bow, and in a flash fired upon the *Orion* with her stern gun.

"We turned quickly," Mr. BIEL recounts, "to get a range on her, and were just ready to open fire when she suddenly submerged and came up like a shark on our starboard quarter. We got our range again and began to fire, when down she went again, completely out of sight. This kept up for two solid hours—she chased us for 30 miles—and each time she emerged she launched a torpedo from an unexpected direction. Finally, a squall blew up, followed by



photographers in the city to enter a contest for the most interesting pictures

photographed at the site of the bank's new building. One of the winning pic-

The Riggs National Bank OF WASHINGTON, D. C.

welcomes the opportunity to be of service to
bankers and their clients in the
Nation's Capital.

Complete Banking and Trust Service

ROBERT V. FLEMING

President and Chairman of the Board

GEORGE O. VASS

Vice President and Cashier

Resources over \$160,000,000

Member Federal Deposit Insurance Corporation

Sengbusch "tip-in-ink" feature adds to ease,
convenience, smoothness of writing—
with the **handi-pen**

UNIFORM PEN-INKING—NO FLOODING— NO INKY FINGERS

Executives—employees—customers—all enjoy the effortless, instant writing of the handi-pen. And this new feature makes it doubly welcome on any desk. . . . Holds up to a year's ink supply without refilling. Beautiful streamlined HP-6 (illustrated) \$3.00. Harmonizing sets up to \$10.50. Order now from your stationer. Or write for 10-DAY FREE TRIAL OFFER.



• Only tip touches ink. Ink can't creep up.
Narrow slit feeds only enough ink for instant
writing.

— (Tear out and mail coupon today) —

Sengbusch Self-Closing Inkstand Co.
128 Sengbusch Bldg., Milwaukee, Wis.

Please ship me _____ handi-pen sets HP-6 for a 10-day
free trial, with no obligation to me.

Name.

Address.

City. State.

a thick mist, and the visibility was so bad, the "sub" gave up the fight—and we headed back toward Gibraltar."

★

IN CONNECTION with the digging of the foundation of its new building, the Mercantile National Bank at Dallas, Texas, has organized a "Sidewalk Superintendents' Club," the membership requirement for which is simply curiosity. The club has 56,000 members, each the possessor of a formal membership card entitling him to full privileges of the Spectators' Gallery.

The Club recently invited amateur

tures is found on page 61. You can see in it the gaily colored stands in which seats are provided for the observers. There a uniformed attendant presides over the guest register and issues membership cards and a telephone is provided for the convenience of the observers.

R. L. THORNTON is president of the bank.

★

CARLETON B. LEONARD, assistant vice-president, Detroit Trust Company, took time off from his intense study of Michigan's football fortunes (Mr. LEON-

HARD is the Maize and Blue's most ardent fan) to pass on the following incident which indicates how keenly alive to new business opportunities many trust men have become.

In the trust company's wash room two or three men were engaged in a heated debate regarding the New Deal. One of them, as a final argument, stated forcefully, "Maybe you fellows don't know it, but democracy is dead." Quick as a flash one of the other trust men said, "Oh boy! Have we got his will?"

★

GEORGE GUND, president of The

Cleveland Trust Company, has many times been mistaken for Wendell Willkie—even by newspaper men who have seen a good deal of Mr. Willkie.



Mr. GUND is a man of many interests, both vocational and avocational. Aside from his broad business connections he is interested in art, horses, automobiles, tennis, and travel.

As an undergraduate at Harvard he gained many distinctions, including that of being editor-in-chief of the *Daily Crimson*. Associated with him on the university paper was his life-long friend, JOHN J. ROWE, now president of the Fifth-Third Union Trust Company of Cincinnati.

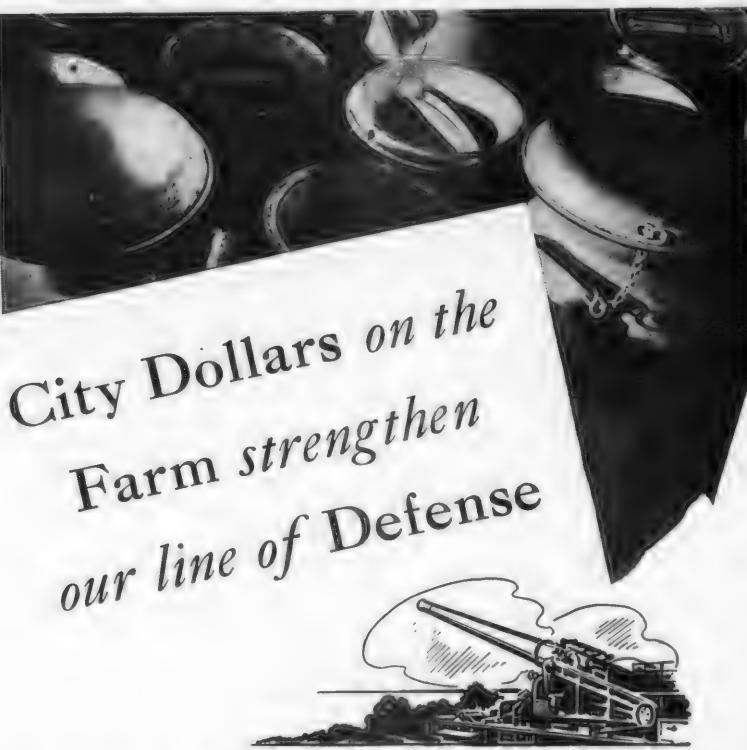
★

Mrs. ARTEMUS L. GATES, wife of the Assistant Secretary of the Navy for Aeronautics (who resigned the presidency of the New York Trust Company to accept his present post)



INTERNATIONAL NEWS PHOTO

christened the Navy's 67-ton bomber at launching ceremonies at the Glenn L. Martin plant in Baltimore. Glenn L. Martin, president of the company which built the huge plane, stands beside Mrs. GATES in the picture above.



DEFENSE requires production and more production on farms as well as in factories. More milk, cheese, poultry, eggs, and hogs. These mean increased acreages of hay, legumes and pastures which may require important shifts from other crops. Many farmers are producing Food for Freedom and soundly financing its production through local lending institutions which rediscount such loans with a Federal intermediate credit bank. City dollars, invested in Federal intermediate credit bank debentures by means of which such rediscounts are financed, thereby go to work on the farm. City dollars, protected by more than 18 years of experience in lending by the Federal intermediate credit banks, thus contribute to the strengthening of our national defense.

THE FEDERAL INTERMEDIATE CREDIT BANKS

SPRINGFIELD, MASS.
BALTIMORE, MD.
COLUMBIA, S. C.

LOUISVILLE, KY.
NEW ORLEANS, LA.
ST. LOUIS, MO.

ST. PAUL, MINN.
OMAHA, NEB.
WICHITA, KAN.

HOUSTON, TEX.
BERKELEY, CAL.
SPOKANE, WASH.

Further information regarding the Debentures may be obtained from
CHARLES R. DUNN, *Fiscal Agent*
31 Nassau Street, New York, N. Y.

A Course in Forgery Detection

TRAINED eye is essential to a trained mind in the education of bank employees whose work involves the detection of forgeries, say Boston bank officials.

Four hundred employees of the First National Bank of Boston are receiving instruction in forgery detection. W. A. Shulenberger, Jr., of Charlotte, North Carolina, an authority on questioned documents, was recently selected by the bank as a lecturer on this subject as a part of its educational program.

A feature of the instruction offered is that once a clear understanding of the "primary signs of forgery" are mastered by the student, it is often possible to detect a forgery even without knowledge of the genuine signature.

Visual education in interpretation of "primary signs," said to occur in at least 90 per cent of all forgeries, includes training in observation of relative pen pressure, shapes of letters and ability to determine when a lift of the pen is made by the forger as he studies the writing he is copying.

The answer to the much debated question of how to classify the signature of a person under the influence of liquor is said to be within the scope of every paying teller by a scrutiny of the irregular variations of the writing.

To old-time paying tellers a surprising feature pointed out and verified by many illustrations of forgers of record is the fact that certain features on which little reliability may be placed in detection of a forgery are the size of the writing, its slant, and particularly shapes of capitals.

Traced signatures, for years the bugaboo of paying tellers, should now offer no problem to careful bank tellers, it is pointed out, the give-away standing out clearly in the lack of difference in pen pressure as the forger changes his pen hold in forming letters, with a resulting difference from a genuine signature.

The use of chemicals, to determine erasures, additions and eradicated writing from any check is included in notes that a bank teller may keep at hand to offset the efforts of "artists" in this type of fraud.

Students of handwriting and experts on detection of fraudulent documents have applied the principles now outlined for years, it is stated, but the opportunity to make them available in the training of bank employees whose work involves signatures is a step forward in "what a well-trained bank employee should know."

JOHN B. HITCHINS



U. S. District Judge Merrill E. Otis of Kansas City, Missouri, was the banquet speaker at the recent Mid-Continent Trust Conference in St. Louis.

REDUCE YOUR HEATING COSTS

as much as 25% this winter



NATIONAL CITY BANK (New York) shuts out winter's icy blasts with this draft-proof Revolving Door. Valuable space next to the entrance is just as comfortable and usable as space in the center of the banking room. The "all-glass" construction of the door admits a maximum of daylight.



★ Every time a swing-door opens, you lose money! Heated air escapes. Wintry winds rush in. Street dust blows in to soil records and furnishings. Chilly drafts sweep in to take a heavy toll in sickness among your employees.

Put a stop to "open door" losses. Install a Revolving Door. It will conserve heat for you—shut out dirt, dust and drafts—and save up to 25% of your fuel costs.

Ask your architect or contractor for full details. Or write today for free data folder containing catalog and pictures.



5 Ways a Revolving Door Pays for Itself—

- 1—Cuts heating and cooling costs.
- 2—Increases usable floor space.
- 3—Reduces damage from dust.
- 4—Assures customers' comfort.
- 5—Safeguards employees' health.

Revolving Door

DIVISION of

INTERNATIONAL
VAN KANNEL
ATCHISON

Evansville, Ind.

THE PUBLIC NATIONAL BANK AND TRUST COMPANY OF NEW YORK

Service—Maintaining an intimate, personalized correspondent bank service.

Experience—Officials with years of service in this field, assuring a knowledge of requirements and valuable assistance.

Policy—To cooperate with out-of-town banks rather than compete for business which is rightfully theirs.

Resources over  \$175,000,000

ESTABLISHED 1908

MEMBER
NEW YORK CLEARING HOUSE ASSOCIATION
FEDERAL DEPOSIT INSURANCE CORPORATION



NOTICE of change of address for your copy of **BANKING** must be received one month before it is to take effect. Please supply both old and new addresses.

CIRCULATION DEPARTMENT
BANKING 22 E. 40th St.
New York City

Booklets at Your Service

SELECTED FOR THEIR INTEREST TO YOU

We'll be glad to see that you get a copy of any or all of these booklets, free of charge or obligation. Each one has been carefully selected for its special value to bankers and business executives. Simply mail your request on bank or company letterhead to Dept. BB-6, American Bankers Association, 22 East 40th Street, New York, N. Y.

NEW FINGER MOISTENER

An ingenious finger moistener has been developed that gives finger tips just the right amount of moisture for counting bills and leafing through records. Its spun glass wick is always on the job, never gets messy, and the moistener can easily be kept clean and serviceable. Write for the descriptive folder published by the manufacturer—it will give you the complete story.

THE BANK OF THE FUTURE

In the "world of tomorrow" no cages or bars will waste space on the banking floor. Tellers, at conveniently located desks and stands, will receive cash sped from lower floors via modern pneumatic tube systems which will also make the bookkeeping department instantly available. This 16-page illustrated booklet tells how pneumatic tubes speed banking and industrial operations—how they could cut costs for your bank and provide greater safety in transmitting cash, securities and documents.

HOW FLUORESCENT LIGHTING WORKS

This 50-page catalogue depicts and describes more than a dozen different kinds of fluorescent lighting fixtures, adaptable to bank uses. It presents typical installations, offers layout suggestions, gives design data, lighting data and prices. It tells you what makes fluorescent lighting work and includes much general information that you will find worthwhile.

AN ABC OF BUSINESS MACHINES

Seventeen business machines are illustrated in this compact 24-page booklet and their many uses briefly described. The booklet outlines the ways these machines tackle difficult jobs, cut costs and speed operations. Among the equipment cited are a printing calculator, a vertical adder, five different types of bookkeeping machines and a half-dozen multi-purpose adding machines.

QUICK-ON, QUICK-OFF FARM MACHINES

Country bankers will find this complete 24-page catalogue, published by a leading manufacturer of farm machinery, useful in measuring the requirements of their customers. It presents the latest innovations of precision-built, economically-run tractors, plus an array of implements that can be attached quickly to serve every farm purpose.

Booklets Still at Your Service

FINANCING THE MODERN WAY . . . This new, enlarged edition of a popular guide to field warehousing is offered by an organization that has specialized in this field. The new issue is a 48-page, pocket-sized book containing over 35 illustrations, mostly of field warehouseable inventory of all kinds. It covers the practical as well as theoretical aspects of this modern method of financing inventories.

SOLVING FEDERAL TAX PROBLEMS . . .

Never before has a thorough knowledge of Federal taxes been so essential. Bankers, business men and corporations must closely watch the laws affecting income, excess profit, capital stock, stamp, excise, gift and other taxes. This 16-page booklet describes an authoritative tax reporting service that has helped many bankers save time and money in handling tax problems.

THOSE NO-MINIMUM-BALANCE ACCOUNTS . . . Here is a 16-page booklet in which officers of various banks relate the experiences they have had with a well-known no-minimum-balance checking account system. Published by the originator of modern pay-as-you-go plans, the booklet will help you measure this system's profit possibilities in your area by enabling you to make comparisons with the results which have been obtained by banks in similar situations.

ANNOUNCEMENT

THE TEXAS COMPANY

(a Delaware corporation)

135 EAST 42nd STREET, NEW YORK

THE Texas Corporation, in order to simplify its corporate structure and to promote greater efficiency and effect economies, has undergone a reorganization, the chief result of which is that the Corporation, in addition to its present functions, will carry on those operations formerly conducted by the Corporation's two chief subsidiaries, The Texas Company, a Delaware corporation, and The Texas Company, a California corporation. To accomplish this end, The Texas Corporation has merged into itself The Texas Company (Delaware) and has caused The Texas Company (California) to be dissolved. The Texas Corporation has acquired all of the assets and assumed all of the liabilities of both companies AND WILL HEREAFTER BE KNOWN AS THE TEXAS COMPANY.

Transactions in stock of the Company after November 1, 1941, may be made in the same manner as formerly but under the name of

THE TEXAS COMPANY

Stock certificates to be issued by the Company after November 1, 1941, and until January 1, 1942, will be in the old name but will bear a legend indicating the change in name. Beginning January 1, 1942, stock certificates will be issued bearing the new name.

Certificates in the new name will not be ready for delivery prior to January 1, 1942. Stockholders are requested not to send their certificates in for exchange prior to that date, but promptly after January 1, 1942, all stock certificates should be sent to the Company for exchange for certificates bearing the new name. For this purpose, no endorsement will be required on the old certificates and no charge will be made by the Company for such exchange. Certificates should be sent to The Texas Company, Stock Transfer Office, 135 East 42nd Street, New York, N. Y.

No change will be made in the form of the Company's outstanding debentures, or in the manner of selling or exchanging such debentures.



THE TEXAS COMPANY

W. S. S. RODGERS, President



Progress in Loss Prevention

HORACE ERVIN

The author is with the advertising firm of Albert Frank Guenther Law, Inc., New York City.

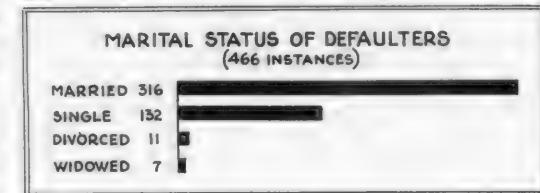
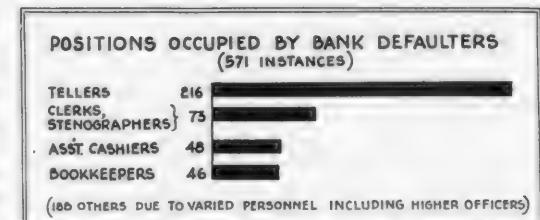
SINCE 1934 banks have shown considerably better loss experience and premiums on bankers blanket bonds have been reduced almost one-half. Confirming this, a recent issue of the *Protective Bulletin* issued by the Insurance and Protective Department of the American Bankers Association, says: "The committee is gratified to report another year of continued low loss ratios on bank insurance and to commend banks generally for their contribution through loss prevention which continues yielding such handsome dividends in the form of rate reductions."

Among prevention factors that contribute to this saving, besides more rigid bookkeeping checks, reduction of the hold-up hazard looms large. Better, more widespread use of hold-up resistive equipment has helped to cut down loss; but the real decreases are due to "limitation of counter cash." The very process of making less cash available to the taker decreases loss volume, although loss frequency is unchanged.

FIDELITY losses still present the big problem, because they account for the largest lost amounts. "For many years," says the *Protective Bulletin* on this aspect of the question, "dishonesty of bank employees accounted for about 60 per cent or more of all bank losses resulting from crime. In recent years, however, these borings from within represent a still higher proportion of the bank crime bill." It seems incontrovertible that any appreciable betterment in the loss picture must come *internally*, because it is the inside job that constitutes the real menace.

Forgery, too, is a hazard that will bear trimming. Banks may expect stronger adjurations from loss prevention experts in this field. Guaranteeing endorsements that turn out to be forged is a broad channel of loss, and stricter checking of new accounts is being urged. Misplacement is a somewhat lesser hazard closely tied in with fidelity; obviously loss prevention measures designed to lower this vaporous type of loss cannot be as concrete as those applied to more tangible, traceable hazards. That is not to say, however, that misplacement remains undiscovered and unapprehended; for when it occurs with any degree of frequency, underwriters quickly "go to work on it."

The only typical thing about a bank defaulter may be that he is different from all others. Groups of defaulters, on the other hand, can be charted and studied. The 571 instances of bank default compiled by American Surety Company and used by Richard Wood recently in an address before auditors, for example, indicate certain group characteristics, but this is no guarantee that they will hold true in the next default.



THE method defaulters use to conceal shortages is the most interesting point about defalcations. Most cases (431) reveal a single method, but a substantial number (140) show compound machination. Deposit account manipulation, cash shortages, general ledger manipulation and other means (hypothecations, trust accounts, unauthorized purchase or sale of securities) are the outstanding *modus operandi* under the single method system. Under the compound, cash shortage and manipulating deposit account is the most frequent combination, followed by manipulating deposit and general ledger accounts. Most defaults are uncovered by routine internal check, while complaints from customers and others also are frequent in disclosing discrepancies. Bank examiners, receiverships, confession, absconding, vacations, suspicion and investigation are other factors that tip over the crime thought to be catch-proof.

Other interesting facts are these: of the 571 cases, 537 were male and 34 female instances. Ages fluctuate between 16 and 75 with the highest group total in the 26-30 brackets, and the 31-35 group close behind. The older employees, ages 41-45 represented only 9 per cent of the total, but made up for this by excelling in dollar volume, their defalcations aggregating one-third, or \$5,000,000 of the \$15,000,000 losses in the 571 cases.

The reasons men and women turn away from trust—for bear in mind, most defaulters are people of ordinary good habits and morals—are many. Most circumstances betray the usual tendency to live beyond income. Speculation, expensive living, gambling and outside business interests are also frequent causes.

Study of this and other surveys leads back to loss prevention. Whatever hope there is for lower fidelity costs and, from the purely altruistic viewpoint, whatever progress can be made in saving defaulters from folly that inevitably winds up in discovery, must be crystallized by cooperation of underwriters and banks.



Fidelity & Surety Bonds
Blanket Bonds
Burglary & Forgery
Insurance



**NATIONAL SURETY
 CORPORATION**

VINCENT CULLEN
 President

THE TEXAS COMPANY



157th Consecutive Dividend paid
 by The Texas Company and its
 predecessors.

A dividend of 50¢ per share or two per cent on par value, and an extra dividend of 50¢ per share or two per cent on par value, was declared October 24, 1941 on the shares of The Texas Company, payable respectively on January 2, 1942 and December 15, 1941, to stockholders of record as shown by the books of the company at the close of business on November 28, 1941. The stock transfer books will remain open.

L. H. LINDEMANN
 Treasurer

House Upkeeping

(CONTINUED FROM PAGE 32)

Whatever the desired durability of a house may be, it is a reasonable requirement that the durability of its parts be as well balanced as possible. It is, for instance, pointless to use a slate roof if it is applied with uncoated nails or corrosive flashing. Under the circumstances it would be better to use a less durable, and less expensive, roofing material. Again, brick is among the most lasting of materials, but a brick wall may be of long or short life depending on the quality of the mortar.

Needless repairs that might have been avoided by slightly greater initial expense, frequently involve costs so great as to affect the ability or willingness of the mortgagor to keep up his payments. In order to eliminate this form of waste particular attention must be paid to the places where wear and tear are the hardest. Good brass plumbing fittings are not an extravagance even in a small, low priced house. The same applies to good hardware. Cheap paint, cheaply applied, increases the cost of repainting. Omission of protection of exposed plaster corners produces a constant source of repair expense. Green lumber, which twists the finish and cracks the plaster, is hardly a wise investment.

Such things should be obvious. They mean little more than the avoidance of shoddy construction. They leave unanswered the larger question of how long to build for. Our instincts prompt us to build as sturdily as we know how. Yet when we see such exaggerated efforts to assure long life as the first housing projects erected by the Public Works Administration, we recognize that there are limits beyond which we cannot afford to go. It is possible for a house to be too good as well as too poor.

There are sound reasons for not seeking the maximum in durability. One is the shifting structure of cities, which requires a certain flexibility of street and land layout over a period of years. Too frequently desirable changes are thwarted or made inordinately expensive because of the robustness of old buildings that stand in the way. Another reason is the shifting of modes of living and of family size and income, which often make one generation's dwellings difficult to adapt to the next.

It is not possible to give a tabulation that would show a balance between first costs and maintenance costs, but such figures, if we had them, could not take into account the possible losses due to

LONGINES
*the most honored watch
 for Christmas*



THIS YEAR more people will receive Longines Watches for Christmas than ever before. And this year, many who want them will be disappointed. We are sorry, there will not be enough Longines Watches to go around. Longines, the world's most honored watch, has won 10 world's fair grand prizes, 28 gold medals, and more honors for accuracy than any other timepiece.

The new 75th Anniversary Longines Watches are now shown by Longines jewelers, priced \$44.00* upward; see also the Wittnauer Watch, a companion line of moderate price, from \$27.50—products of Longines-Wittnauer Watch Co., Inc., New York, Montreal, Geneva.

*Federal tax included



The Service Departments of this Bank —

Transit
Collection
Credit
Investment Advisory
Transfer
Safekeeping

are all under the personal direction of officers who have had long experience each in his particular field.

Meeting the varied needs of our Correspondent Banks is our first consideration.

... THE ...

PHILADELPHIA NATIONAL BANK

ORGANIZED 1803

PHILADELPHIA, PA.

Capital, Surplus and Undivided Profits

\$45,000,000

Member of Federal Deposit Insurance Corporation

Substitution

Where substitutions result, as unfortunately they are often apt to, in the necessary use of inferior materials to what would ordinarily create a proper balance in the structure, the lender has two choices. He may rebalance the specification at a lower level and modify his amortization plan if that seems called for. Or, he may accept the unbalance, see that the structure is designed for as easy replacement as possible, and make allowances in his valuation not only for a lower valued material but for a higher repair or replacement cost.

obsolescence before the balance was finally struck. As in so many aspects of the housing picture, we are forced to rely on judgment—here a combination of engineering and economic judgment. We do not want to build shoddily. We must have structures that will at least endure without oppressive repair costs during a reasonable period for amortizing the debt and the investment. But the simplest materials, well put together, will accomplish this; and it is better in the long run to have a well-balanced structure of limited durability than doubtful investment in a structure where it is necessary to have a prolonged life—with the risks of obsolescence that entails—in order to make it pay out in the end.

The lender's problem is translating items of extra cost into terms of value—a process essentially of balancing first costs against continuing costs. It is possible that some items in the long run may be worth more than they cost in the first instance if a balance of all the factors were taken into account.

The making of mortgage loans, especially in these days of admittedly close equity margin, is one calling for a high degree of technical ability. To be properly equipped for mortgage lending under such circumstances the lender must call into service land-planning, architectural, and building techniques.

The exigencies of the defense program have created a series of problems in unbalance. Scarcities have developed in certain materials, and substitutions or omissions are in order. As a result, the lender who desires to continue in business during the immediate future is likely to find the character of the security offered to be modified in ways which he may not like but which are beyond his control.

Bank Reserves

The following comment on bank reserves is by RICHARD L. JOHNSON, an economist in a midwestern bank.

THERE are two major influences by which both total reserves and excess reserves have been or could be increased. The first, Federal Reserve credit operations, although active at various times in the past, at present is relatively static. Potentially, however, the Reserve could purchase tremendous amounts of government securities in the open market, or could discount large volumes of bank paper, because of its available gold certificates. The other method, additions to our monetary gold stock, has recently been operating at a less marked rate because of the reduced inflow of gold from abroad.

In contrast, both factors tending to reduce or use up total and excess reserves have been assuming even larger proportions. The volume of money in circulation, although rising at a fairly rapid rate for several years, has recently turned upward even more sharply. Similarly, the Treasury's balances with the Reserve have tended to increase as the proportions of the defense program spending and other Treasury requirements have been enlarged.

THE net effect of a slowing up in the factors increasing reserves, simultaneous with an acceleration in factors reducing reserves, has been that during 1941, for the first time in well over a decade, there has been an actual downturn or decrease in bank reserves; there has consequently been a corresponding reduction in excess reserves.

In addition, excess reserves have been further reduced from their peak levels of near \$7 billion in 1940 to the present level of some \$4 billion by the three factors affecting them only: First, the recent increase in the Reserve requirements, to a level double that prevailing during the 1920's; second, the continued financing of Federal deficits by banks' purchases of government securities, which promises to attain larger volumes during the defense program; and finally, the recent revival in bank loans for the first time since the 1920's.

But both total reserves and excess reserves can at any time be increased by the simple process of having the Federal Reserve purchase large amounts of government securities, or by the lowering of reserve requirements, or by any one of several other means already available.



Arms, munitions, food . . . they must get through.

Every ship carrying these vital cargoes . . . the life line of a nation . . . is protected against ordinary perils of the sea. But merely normal safeguards are not enough . . . too much is at stake. Fighting escorts ensure extra protection.

AMERICAN CREDIT INSURANCE

is tailored to fit the needs of each firm. It guarantees payment of Accounts Receivable...guarantees reimbursement for losses caused by insolvency of customers. Either customers pay your clients . . . or AMERICAN CREDIT pays.

•
49 YEARS IN BUSINESS



Business, too, faces hazards that demand extra protection.

The business life line of your clients—collection of Accounts Receivable—is constantly endangered. Their credit departments may be entirely adequate for the measuring of ordinary credit risks. But the crippling credit losses result from extraordinary credit conditions . . . from conditions developing after credit has been approved and the goods have been shipped.

What would the failure of a big customer do to the working capital of any of your clients?

Of special interest: Reimbursement for credit losses can be paid by AMERICAN either to the policyholder or to any bank or trust company. Address Dept. K-12 for your free copy of "An Exposition of Credit Insurance with Relation to Commercial Banking."

*J. F. McFadden, PRESIDENT
FIRST NATIONAL BANK BLDG., Baltimore*

"Guarantees Payment of Your Accounts Receivable"

OFFICES IN PRINCIPAL CITIES OF UNITED STATES AND CANADA

ADventures in BANKING

NUMBER FOUR OF A SERIES
No. 1 "The Lowly Penny"
No. 2 "The Versatile Nickel"
No. 3 "The Dutiful Dime"

The Capable Quarter

Win, lose or draw, the quarter is a capable coin. If you want to lose money fast, try dropping a pocketful of quarters down the maw of a slot machine. You may hit the jackpot, but we'll bet two bits you don't.

If you want to make money, remember that quarters skillfully invested hit the jackpot every time. Capably placed are the more than 400,000 quarters annually invested in BANKING by our (and your) advertisers. Tarry a moment with us behind the scenes and watch how ably these ADventurous quarters work in your behalf.

Protecting Financial Lives

By offering sound economic advice, bankers play an important part in shaping the financial lives of their customers. For example, bankers show borrowers why business life insurance is needed to protect obligations and assure business continuity. Moreover, depositors often seek the counsel of bankers in building personal financial security. Alert life insurance companies recognize the confidence bank customers place in the advice bankers give them.

On page 72 a leading life insurance company tells you why its mortality and maintenance costs are particularly low — important factors in measuring insurance values. Agents of this company are trained to work closely with readers of BANKING everywhere in serving the requirements of more than 700,000 policyholders.

Service Must Be Dependable

Even though banks render essential service to the nation's defense program, new machine equipment to meet increased demands may be difficult to obtain without governmental sanction.

Typical of the efforts made by the office equipment industry to keep present machines in good working order is the story told by the advertiser on page 74. Here's a good example of the capable way BANKING's advertisers bring you pertinent information that copes with current conditions.

Consistent Policy Pays Dividends

Month after month and year after year, through wars and depressions, one of the country's great commercial banks has reminded BANKING's readers of the excellence of its correspondent banking facilities. These striking messages are one expression of the personality, character and efficiency of this bank's management — a management that maintains a consistent policy throughout all phases of the bank's operations. This far-sighted management is reflected in a dividend record that extends unbroken for 98 years.

To note how capably the advertising quarters of this institution are invested in BANKING, please turn to page 68.

★ ★ ★

A Roundup of Facts

Advertisers who know how to relate the present to the future are rolling a steady stream of ADventurous quarters down the assembly line of BANKING's advertising columns to bring you a roundup of facts about their products, services and facilities.

Advertising campaigns in BANKING represent investments ranging from 1,560 to 12,000 capable advertising quarters annually. This is your assurance that our advertisers have faith in the lasting value you — a reader of BANKING will obtain from their informative messages.

Non-advertisers in BANKING may find in this series good reasons why they too, should test the advertising capabilities of BANKING's pages. It takes remarkably few advertising quarters to insure the future of business interests wherever such interests are influenced, directly or indirectly, by bankers and bank directors. Advertising in BANKING, Journal of the American Bankers Association, is low-cost *business insurance* at its best.

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One of America's toughest cops . . .

HER JOB is to keep a "death watch" over these G-E MAZDA "F" (Fluorescent) lamps . . . to make sure the lamps you buy will lead full, useful lives.

IT'S PART of a long series of tests and inspections, developed through years of MAZDA Research, in perfecting this new kind of light . . . a "third degree" that G-E MAZDA "F" lamps must undergo before they are worthy to bear the General Electric monogram and go to work for our customers increasing production, stepping up sales, or improving the value of real estate.

IMPORTANT! Before you invest in fluorescent lighting remember that lamps with the initials "G-E" assure you of real G-E MAZDA Lamp quality.



Since the first MAZDA F lamp was announced some three years ago, efficiency has gone up as much as 40% and prices have come down as much as 52%. G-E MAZDA F lamps are recommended for use only with fluorescent equipment providing good power factor.

G-E MAZDA LAMPS
GENERAL ELECTRIC



"I don't know much about millions ... but I sure need advice on dollars!!"

Most of your customers live in terms of dollars—not millions. And when, in your judgment, life insurance is indicated as a means of providing dollars-for-living for a customer's future, you can recommend The Northwestern Mutual without qualification . . .

In its principles, management and operation, The Northwestern Mutual has always had a special appeal for the banking mind. That is why bankers so often recommend the Northwestern Mutual to their customers as a means of

building financial security. Here are some of the facts behind that recommendation:

Low mortality cost. Northwestern Mutual limits its business to men and women residing in healthful parts of the United States, engaged in non-hazardous occupations and subject to careful medical examinations by its own appointed medical examiners. As a result, mortality costs in this company are favorable.

Low maintenance cost. The Northwestern Mutual enjoys an extraordinarily low termination rate. For example, only 3.4% of a company's insurance in force on January 1, 1940, was terminated by act or negligence of policyholders during that year. This low termination rate has a very favorable effect on the interest of present and future policyholders . . . assures low maintenance cost.

It is the aim and desire of Northwestern Mutual Agents to work closely with bankers in their communities. You may find it worthwhile to get the facts behind The Northwestern Mutual's security—the revealing figures behind its steady, conservative growth. Ask a Northwestern Mutual agent.



We are THE NORTHWESTERN MUTUAL
LIFE INSURANCE COMPANY
MILWAUKEE, WIS.

★ ORGANIZATION ★

PRESENT DAY BANKING'S PROGRAM OF ACTION

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A.I.B. DEFENSE BOND FORUMS—PRIORITIES COMMITTEE—TWO MORTGAGE CLINICS
NATIONAL BANK EARNINGS—A.B.A. STAFF CHANGES—DEFENSE LOAN SURVEY

The dependability of BURROUGHS SERVICE

is even
more important
today

BURROUGHS SERVICE PROVIDES THESE DISTINCT ADVANTAGES

- 1 Burroughs mechanical service is rendered by factory-trained, factory-controlled, salaried representatives whose work is guaranteed by Burroughs.
- 2 Every Burroughs service point is well stocked, well equipped with genuine Burroughs parts to meet any service need.
- 3 Burroughs service is national, strategically located to give prompt attention to every call.
- 4 All Burroughs service men are kept promptly and fully informed about every improvement in service, every new feature, every mechanical change.

In view of today's heavier demands on nearly every bank's personnel and equipment, bankers appreciate more than ever the dependability of Burroughs mechanical service.

Burroughs factory-trained, factory-controlled service has long been recognized by users as being without an equal for safeguarding the mechanical performance of office machines—and is one of the major reasons why so many banks decide in favor of Burroughs equipment.

BURROUGHS ADDING MACHINE COMPANY • DETROIT, MICHIGAN

Today's Burroughs

DOES THE WORK IN LESS TIME—WITH LESS EFFORT—AT LESS COST

The Impact of Defense

Here Are Three Problems

It does not take a telescope to discover on the horizon three new but already familiar problems, and they are coming this way.

One of them, as described here two months ago, is the defense priority question as it affects banks.

A second is the inevitable problem of personnel and salaries under present extraordinary conditions.

The third is the effect that huge tax payments are going to have on the status of borrowers.

There are others, but these three questions will more than use up the space allotted to this essay.

Everything Fine and Dandy

A SPEAKER asked his banker audience not long ago if the defense program has raised any new problems in that locality. The answer generally and complacently was "nope." The speaker said, "That's what you think," and then told that ancient parable about the two colored gentlemen and a very sharp raza'. Said one, "Aha, missed me." The other wiped off the razor and said, "Just try to move yo' head." The priority knife is not quite that sharp, of course, but let's be sure about it.

One effect of the defense program has been to give each business a sort of number or place in line based on its relative importance in the national scheme of things. The low numbers are invited to sit at the first table and the rest stand around hopefully. We know where banks belong on this list but we want to make sure that everyone else knows.

The manufacturers of essential bank machinery, equipment and supplies say that the banks are going to have trouble getting deliveries unless they obtain some definite official recognition of the essential character of the services that they render to the defense program. The question whether banks have actually had much difficulty in getting deliveries is beside the point because it's the long term that we are concerned with, and the bigger question: are banks essential or are they among the cosmetics, trombones and bicycles?

President Roosevelt's Opinion

JUST a couple of weeks ago President Roosevelt, speaking to the schoolteachers of his home county at Hyde Park, New York, answered the question so well that we can't do better than quote his distinguished testimony. In discussing the need for more practical education by *doing and seeing*, the President recalled the days of the bank holiday when the nation's economic system almost came to a halt. He said:

"You know, it is an amazing thing. In 1932 and early 1933, when the banks began closing all over the place, one chief reason for the closing of these banks was that

everybody all of a sudden went there at the same time to get his money out.

"And the banks had to close. And it wasn't until the banks all had to be closed and the thing was explained to them that the people of this country put their money back into the banks. They didn't realize that a bank does not take your money and put it in the safe and keep it there against the day when you may call for it. They didn't realize that the wheels of industry were dependent on banking loans, that your money in that bank, nearly all of it, was passed right on by the bank to home builders and industries, and all kinds of things that make the wheels go 'round in our country."

Personnel and Salaries

IN loyalty, character and intelligence bank employees are an outstanding group in any community. Machines and supplies are essential to modern bank service but the trained staffs of men and women are the bank itself. They are the banking system's most valuable asset.

The present problems with respect to personnel and salaries arising out of the defense program are too well known to need elaboration. The most obvious method of meeting the situation is by increases and bonuses but such action should be taken only in conjunction with a careful reanalysis of bank costs. Most banks, individually or in groups, have already established cost figures and charges based thereon. If the cost of salaries and physical equipment are materially boosted there must be a readjustment upward of the figures on which these charges are based.

Borrowers' Taxes

IF banks had only their own taxes to worry about it might not be so bad. But the fact is, every customer's taxes are of some concern to the bank. Unless commercial and individual borrowers start preparing right away for the ordeal of next March some of them are going to find themselves on a warm spot.

The need for some kind of instruction is particularly urgent in certain defense areas where the recipients of higher incomes are spending down to their bottom dollar right along. Insurance companies and instalment credit concerns are in the same position as banks in respect to the necessity for effective public education. One obvious method to prepare for these taxes would be through the purchase of Tax Anticipation Notes, so in furthering the sales of these notes the needs of the Treasury and the banking system coincide exactly.

The Advertising Department of the American Bankers Association has prepared a folder on taxes for the use of banks for distribution to customers; and the Treasury has issued several folders describing the tax saving plan and these are available to banks for distribution to depositors, borrowers and others.

Meet the Vice-Presidents

ALBERT W. ATWOOD

In this article Mr. Atwood presents a picture of the two vice-presidents of the American Bankers Association, W. L. HEMINGWAY and A. L. M. WIGGINS.

IT is a natural tendency on the part of the vice-presidents of an organization like the American Bankers Association to remain in the background. This is because the president holds office for only a year and is therefore entitled to make the policies as well as to assume a position of outstanding leadership during his year of office.

But no organization is worth anything unless it is constantly building up future leaders. The vice-presidents are not only the obvious material out of which to elect presidents but they can be of great help or hindrance to the current administration. At any rate a year goes by so quickly that it is none too soon to ask what kind of men are these two vice-presidents. What are their principles and views, their attitudes or approaches toward life and its problems, and finally what manner of personalities do they possess?

To answer such questions is far from simple. It is difficult to do complete justice in describing a man without an element of exaggeration or even flattery entering the picture. It is wholly justifiable to seek the strong rather than the weak points in those elected to high position; indeed, the members of a great organization such as the American Bankers Association have a right to know wherein their leaders excel. But the *puff*, the *write-up* method defeats itself. The reader discounts it, and the subject cannot fail to be a bit disgusted if he is a man of any sense and modesty.

Yet it can be said with literal truth of both vice-presidents of the American Bankers Association—and there is significance in the fact—that they are not only practical and highly successful men, in a business sense, but they are close and intensely interested students of government and human society.

WHAT we really want is to let the vice-presidents speak for themselves. Self-revelation is far better than an outsider's attempt to evaluate. Men invariably hand you keys to their characters, and Messrs. Hemingway and Wiggins are no exceptions.

Wilson Linn Hemingway, first vice-president, is exactly 61 years of age and has gradually worked his way up from the lowest rungs of the banking ladder, through practically all departments, until he is today president of the second largest bank in the country's eighth largest city, St. Louis. Except for his schooling in North Carolina and Tennessee (and except, of course, for travel) he has spent his entire life in the states of Arkansas and Missouri.

Asked by what route he had reached his present position he modestly replied that he hadn't gone so far, "but as far as I have gone has been due solely to hard



First Vice-president Hemingway with his secretary



Second Vice-president Wiggins, left, talking with Interviewer Albert W. Atwood

work." Pressed for an explanation of this all embracing phrase, often so thoughtlessly employed, he made his meaning amply clear by the single but convincing and definitive word, "application."

Application is no empty word with Mr. Hemingway, as an anecdote will show. Several years ago when he was chairman of the St. Louis Chamber of Commerce he headed a goodwill tour from that city to Mexico. In college (Vanderbilt University) he had studied Spanish, but like many another college graduate had long before become rusty in its use. But he realized well in advance



Come in!

of the trip that he would be called upon to reply to an address of welcome, and was determined to do it in Spanish. Doggedly he tutored and "brushed up" until he was able to speak the language acceptably, and astonished his friends by so doing.

Mr. Hemingway doesn't surround his entrance into the banking business with any pretense at all.

"I didn't care or know anything about a bank when I graduated from college (1900). My father was a lawyer and I didn't want to be one. I had no job and I had never seen a note or draft. But a friend told me there was a job as a bank collector in Little Rock and I got it. If it had been in a grocery store or a butcher shop I would probably have gone there."

HERE is a man whose approach to the problems of life is certainly forthright, and evidently lacking in any respect for magical short cuts. Discussing the relative standing of bankers in their communities before and after the depression, he remarked briefly that the only way for bankers to win a reputation is "to run good banks and be good citizens."

Mr. Hemingway believes that bankers will have their biggest task and their biggest opportunity when the war is over, provided Britain and the United States come out ahead. For then this country will have to act as banker for the world and supply capital for rebuilding purposes. Much of this lending will naturally be in the nature of fixed capital and not self-liquidating bills.

"But if the Government," he says, "permits the banking structure to operate freely there will be the greatest opportunity for it to render service that the world has ever seen. If fixed capital can be supplied by

governmental agencies, great currents of business of all kinds will be set in motion and that is where the banks can prove useful. But there must be unselfishness and far-sightedness in dealing with those portions of the world that are down and out. If we avoid making too sharp bargains with them in their plight, good profits may come later. But they must be set on their feet first."

Mr. Hemingway is not one to mince words in expressing his views. Asked about the future opportunities for young men in banking, he frankly stated that he has a very poor opinion of such opportunities if state socialism is to be fastened upon the country in the name of emergency.

"I fear that people, even in our own ranks, are being lulled into a view that the Government should do everything."

HE is also outspoken in saying that opportunities for learning the business in all-around fashion are greater in the small "country" than in the big city bank. In the latter he feels that men tend to become specialists while in the small bank the opportunity of doing several different things, especially in vacation time, is of value.

Asked for his own preferences in the banking field, Mr. Hemingway replied that while he had had experience with the investment and trust departments he greatly prefers straight commercial banking. He feels very keenly the responsibility involved in the personal and family problems which arise in any trust department, where the officer enters so intimately into the lives of people.

"If you make even a small mistake you may keep a boy from an education."



"Hemingway speaking!"

Although the first vice-president of the A.B.A. modestly and tersely ascribes his own progress to "application," his friends and associates are inclined to enlarge upon the word. It is ability, they say, to cut through quickly to the meat of things. He knows how to pick



Vice-presidential Team

the wheat from the chaff, how to get to the essential principle of the problem, that is, the essential right and wrong of it, and then state his conclusions in a few succinct words, thus saving time and effort.

He is a man without braggadocio or pretense, who does not waste words, and who does not become an intimate, flattering friend upon first meeting. But those closely associated with him remark upon his loyalty to his friends, upon his implicit trust in them and his unwillingness to think ill or even little of them.

In addition to heading one of its largest banks, Mr. Hemingway has played an active part in many other ways in the life of his community over a long period of years, and this applies to educational and cultural as well as to business interests. At the installation of new officers of the A.B.A. in Chicago in October, his introduction of the second vice-president, A. Lee M. Wiggins, was a model in the way of a brief yet wholly courteous, humorous and gracious introduction.

Mr. Wiggins, new second vice-president, is from Hartsville, South Carolina, and represents the small state bank in a small community. He has not spent his entire working life in a bank, like Mr. Hemingway, but as a successful merchant, went in at the top, so to speak.

Mr. Wiggins, not quite 51 years of age, was born in Durham, North Carolina, and received grammar and high school education there. His father died when he was a year old, having lost everything in the depression of the 90's, and his mother worked to put him through the public schools. For three years he had a job in the office of the leaf department of the American Tobacco Company and when he entered the University of North Carolina he had already saved \$500 from his small salary.

With no financial support from any source except from his own efforts, other than a scholarship, he managed the university press, which printed the college

newspaper and catalogue, operated a boarding house, ran a shoe store, operated telegraphic bulletin services at the time of football games and various other small business undertakings, having saved \$1,000 by graduation time.

A day or two before this event the youthful Wiggins asked one of his professors to explain reality in life. "I would give anything to know," was the unsatisfactory reply. But the young man persisted; he said he was going into business and wanted some advice. The professor told him to "find a big man and get as close to him as you can." He found out that David R. Coker, of Hartsville, South Carolina, distinguished plant breeder and agricultural expert, needed a secretary; he applied for the job and was hired.

THE two men remained associated continuously through the next 25 years, or until Mr. Coker's death in 1938. From his employer he learned that the pursuit of wealth is one of the least noble objectives in life, and he reveres Mr. Coker and his own father-in-law, the late J. J. Lawton, also a member of the Coker family, for their character and ability. Young Wiggins' first assignment was to organize the advertising and selling of pedigree seed. In 1921 he became general manager of J. L. Coker & Company, department store, and is now managing director of the firm.

Also in 1921 he bought the local newspaper, the Hartsville *Messenger*, and has operated the printing business and newspaper ever since. At the age of 12 he worked in school vacations as a printer's devil for \$1.50 a week, working 60 hours per week. He is now serving as first vice-president of the South Carolina Press Association.

Now for the banking part of the story. In 1920 he organized the Trust Company of South Carolina, becoming president in 1941. He began serving as vice-president of the Bank of Hartsville in 1921, and was chosen by the Coker family in 1932 to serve as president. Taking charge of a bank after years of mercantile ex-

Publisher of Hartsville *Messenger* looks at a competitor



perience, he was determined that borrowers should get over any attitude of self-consciousness or of being ill at ease.

"We've nothing to sell," he told his staff, "but the use and transfer of money. That's all we have on our shelves, and our job is to sell it to customers exactly like the shoe store across the street. If a man comes in and timidly asks whom he can see about a loan, tell him he can see anybody, except perhaps the janitor."

"My barber came in one day and very hesitantly approached me," Mr. Wiggins relates. "He told me his wife was in the hospital and he needed \$50 at once. I said, 'God bless you, brother, you are just the man I'm looking for. How will you pay the loan, \$5 a week?' He seemed surprised at such a reception, replied that he could repay \$5 a week all right but had no collateral to put up. I told him he didn't need any collateral. 'You pay your bills, don't you?' I said. 'Sign here.'

"We got the reputation of being a bank that was glad to lend money; people came across counties to borrow from us. Another response was lack of withdrawals, even in 1933. An old farmer with \$10,000 on deposit came in and said he had heard we were about to reduce the rate of interest on savings deposits. 'If it will help you,' he said, 'you needn't pay me any interest at all.'"

The fact that Mr. Wiggins has served three years as chairman of the legislative committee of the A.B.A. serves to lend unusual interest to his views of the many problems of the day. Politically he is a life-long Democrat of the old school, but leaning to the liberal side. His sympathies are and always have been with people below the average income level and particularly with young people. He believes that every man should earn and pay his way in the world. He believes that the day of accumulating wealth has passed, "and the wiping out of family fortunes merely awaits the grim reaper."

He has nothing but contempt for the banker who takes an attitude of indifference toward recent social legislation and disturbing governmental tendencies, who folds his cloak about him and passes on the other side of the road saying, "I have nothing to do with these politicians and these problems. I have enough to take care of me. I can retire and get along somehow. Let somebody else solve these problems."

Mr. Wiggins believes it is suicidal for bankers to oppose everything in the nature of reform and of social change; he has no sympathy for the view that everything done by the Administration has been wrong. He insists that he will fight only for principles of a sound economy, not merely for the status quo in banking. He is much less concerned about particular legislation affecting bank profits than he is with the philosophy which may underlie such legislation.

He deprecates carrying the service charge principle to the point of gouging, and he fears the unfavorable reaction if banks give the impression that they no longer want the savings of the public. He believes the respective spheres of the savings bank and the building and loan can be worked out, with the latter in the field of private enterprise being a far preferable alternative to government ownership.



"Gentlemen, free enterprise has been so kicked about . . ."

He sees great danger to democracy in the building up of a huge army of beneficiaries of the Federal Government, such as farmers, labor, government employees and others. He sees a threat to democracy in the invasion of government into the fields of private enterprise and in the breaking down of the principle of checks and balances in our system of government. Naturally as chairman of the legislative committee he has fought proposed laws which under various guises have in reality threatened the integrity of private credit.

"Some may say there is no threat to the free enterprise system in the present trend of government," he recently told the South Carolina Press Association, "but the facts are that free enterprise has been so ridiculed, strangled and kicked about that many so-called small business men are locking up the store or workshop and unwillingly looking for refuge on the government payroll. Of what value are rights to the small business men if they are so burdened by government obligations and regulations that they can no longer earn a living for their families?"

Mr. Wiggins gets along extremely well with committees of Congress. At the end of three days hearing on an intricate subject, during which time there had been many witnesses, a member of the committee told him he had been the most sensible and intelligent witness to appear, and added enthusiastically, "You ought to be President of the United States."

He gets along well, not only with committees of Congress, but with everybody else. He has no animosities or hatreds; he likes people and they like him. One reason perhaps is that he enjoys life, with its struggles and problems, and makes the most of the day at hand. He told this writer: "I have the best job in the United States."

One of his chief joys is the publication of a country newspaper, and he contemplates an old age devoted to that pursuit.

PICTURE LOG—Oklahomans Honor H. W. Koenike; Rochester Forum

MORE than 350 persons paid tribute to the first Oklahoman to be elected president of the American Bankers Association—Henry W. Koenike, president of The Security Bank of Ponca City—at a banquet in Ponca City on November 5. About 125 guests came from neighboring cities and states.

Felix Duvall, Ponca City attorney, introduced prominent guests, including Federal Judge Edgar S. Vaught, of Oklahoma City, who acted as toastmaster. Joseph Benton, operatic tenor from Norman, gave a concert that included several old favorites, and the high school string ensemble played during dinner. Dr. Paul F. Cadman, economist of the American Bankers Association, made the principal address.



Head table, left to right, Mrs. Edgar S. Vaught; Eugene P. Gum, secretary, Oklahoma Bankers Association; Judge Vaught; Dr. Cadman; Mr. Koenike; Mrs. Koenike; Mrs. George E. Meier, mother of Mrs. Koenike; Lawrence R. Northcutt, president, Ponca City Chamber of Commerce; Mrs. Northcutt; and James E. Berry, Oklahoma's Lieutenant Governor



At the reception for distinguished guests preceding the dinner—Frank M. Overstreet, mayor and vice-president, First National Bank of Ponca City; Mrs. Overstreet; Mrs. S. B. Crawford; S. B. Crawford, assistant cashier, The Security Bank of Ponca City; Mrs. J. Robert Meek; Mr. Koenike; Mrs. Koenike; and Dr. Cadman

The first of the A.I.B.'s Defense Savings Bond forums was held in Rochester, with 300 bank officers and employees attending. National President George T. Newell headed the list of distinguished speakers. *Below*, some of those attending the Rochester panel. See stories on pages 36 and 92



Study and Fun—Across Country With the A. I. B.

Students of history, economics, politics and accounting in 165 New York high schools get regular instruction in a range of banking subjects by tuning in during classes on the 10 weekly broadcasts sponsored by New York Chapter. The program, initiated at the invitation of the City's Board of Education, offers speakers of national prominence. Participants in the third broadcast—Students Conrad Hausman and Ruth Clifford; Everett J. Livesey, chapter vice-president; Philip A. Benson, president, The Dime Savings Bank of Brooklyn; and James P. McAndrew, coordinator at the Board of Ed studio



William Powers, director of the American Bankers Association's Customer Relations Department, discussing public relations at the Essex County Chapter's (Newark, N. J.) bank management seminar



Cleveland Chapter's annual harvest party was attended by 600 members, most of them in "harvest" clothes. Here are some of the chapter leaders—*top row, left to right*, Dorothy Druckenbrod, chairman, women's committee; Vincent J. Hannon, chapter treasurer; and Anne J. Erste, chairman, publicity committee. *Below*, Marjorie L. Shutts, secretary, and John W. Kossin, president



Pictures from the "Luau in Paradise," sponsored by the Women's Committee of Los Angeles Chapter. *Top, left to right*, Arthur E. Oliver, chapter president; David E. Simms, national vice-president; and R. L. Gordon, former chapter president. *Below*, Mr. Simms and Mrs. Ruth Ellis Boisvert, member, national women's committee

Conventions in Four States . . .



Left, Junior Bankers Association of Nebraska, sponsored by the Nebraska Bankers Association, at the first convention in Hastings this Fall, with Dr. William A. Irwin, national educational director of the American Institute of Banking, as principal speaker. The delegates were primarily concerned with formulating an educational program and perfecting procedural policy

Endicott, New York, bankers were hosts to 150 delegates to the New York State Safe Deposit Association Conference. *Right, left to right*, Mayor C. Howard Meeker, Lester P. Faneuf, assistant vice-president, Marine Midland Group, Inc., principal speaker; Miss Ruth I. Bump, retiring president, Central New York group; William E. Paynter, Endicott banks' arrangements committee representative; George F. Parton, association president; Harold S. Whitney, vice-president, Endicott National Bank; and Earl L. Brown, vice-president, Endicott Trust Company



STOKEY HARRINGTON



HARRIS & EWING

Richard H. Stout, *left*, of Washington, D. C., was reelected president of the Morris Plan Bankers Association at the association's annual convention at Sea Island, Georgia. Ralph Pitman, president, Morris Plan Bank of Philadelphia, was elected first vice-president and Russell C. Sayre, president of the Morris Plan Company of Springfield, Massachusetts, second vice-president



CUMMINS

Henry Bruère, president, Bowery Savings Bank of New York, *right*, was reelected president of the New York State Association of Mutual Savings Banks at the association's convention at White Sulphur Springs, West Virginia



CUMMINS

Savings bank leaders at lunch during the White Sulphur convention. At the table in the foreground, *left, to right*, Father Edmund H. Walsh, Robert Louis Hoguet, Harold Stone, Herbert S. Colton, Myron S. Short, George L. Harrison, Rowland R. McElvare, Major Fred N. Oliver, Mr. Bruère, E. Allen Stebbins, Philip A. Benson, and Andrew Mills, Jr.

New Consumer Credit Rules

WALTER B. FRENCH

Mr. FRENCH, *deputy manager of the American Bankers Association in charge of the Consumer Credit Department, makes a brief, non-technical interpretation of Amendments 1 and 2 to the Federal Reserve Board regulation on consumer credit. He also reports on a survey of consumer credit volume recently made by his department.*

ALTHOUGH Regulation W has been in effect only a few months, well over 100 rulings to clarify certain provisions have been issued. At first it would appear that any set of rules requiring over 100 interpretations would be extremely complicated but, when we consider that the great majority of these rulings pertain to specific transactions rather than to general principles, the Regulation seems to be accomplishing its appointed task, without necessitating too much effort to comprehend its purpose.

Since September 1 there have been two amendments to Regulation W which are exceedingly important, and which do change, modify, or clarify the Regulation. The purpose of the first amendment, which became effective September 20, 1941, is to outline a procedure to establish maximum credit values on all new model cars that are announced without advertised prices when no "factory delivered price" has been set. A formula is to be applied to the corresponding model of last year to determine the new model's price for the purpose of extending credit. The procedure outlined in amendment No. 1 is simple and should cause lenders no great amount of inconvenience.

The second amendment, effective December 1, 1941, states that instalment loans of \$1,500 or less (instead of \$1,000, as was the case previously) are subject to the 18-month maturity limit. There is one exception to this ruling, which applies to modernization loans where the maximum remains, as before, at \$1,000. Modernization loans cover both those guaranteed under FHA Title I and those made under lenders' own plans.

Instalment loans of \$1,500 or less, the proceeds of which are to be used for the purchase of listed articles, are made subject to the same credit restrictions as now apply to instalment loans secured by listed articles. That means that after December 1 loans used for the purpose of purchasing listed articles, whether secured or not, must be limited to the maximum credit permitted for the particular article purchased.

After January 1, 1942, lenders will be obliged to obtain a signed statement from the borrower regarding the purpose of all instalment loans of \$1,500 or less. The \$5 minimum payment on monthly instalments, which was to become effective January 1, 1942, is eliminated. This amendment also definitely prohibits lenders from making loans for down-payments.

Under amendment No. 2 lenders are permitted to extend credit to finance or refinance the construction or

purchase of an entire building. That means that loans may now be secured by other than a first mortgage.

Instalment loans for business purposes are exempt except when the proceeds of the loan are to be used for the purchase of listed articles.

For renewals or additions to outstanding credits, the lenders of the money or the sellers of the merchandise are now given two options: first, the old credit and the addition may be treated separately, as was the case in the original provisions; or, the combined credit may have a maturity of 15 months provided the instalments on the combined credit are as large as those on the old.

On instalment loans to farmers, any schedule of payments is now permitted provided the down-payment and maturity requirements of the Regulation are complied with and provided that one-half of the balance is paid within the first half of the duration of the loan.

It is suggested that all banks, if they have not already done so, write to the Federal Reserve banks in their districts for copies of the amendments to Regulation W.

A Survey of Consumer Credit Volume

THE results of a survey recently made by the Association indicate that volume for the month of September was off about 21.6 per cent compared with September of last year. The survey included figures from 200 representative banks located in every state. All classes of consumer credit were tested: automobile loans, loans covering listed articles other than automobiles, and personal loans. Loans made direct to consumers and consumer paper purchased from dealers were considered.

The replies showed that the banks which had established consumer credit departments had a reduction in September, compared with the corresponding month in 1940, of 42.5 per cent in automobile paper and 21.1 per cent in other listed article paper acquired from dealers; a decline of 18.7 per cent in automobile loans and 42.5 per cent in other listed article loans direct to consumers; and a decline of 13.5 per cent in personal loans.

Some of the reporting banks showed increases in volume, but in almost every instance they were banks which had been engaged in consumer credit financing for less than a year or had entered new phases of instalment lending in recent months. In such cases comparisons with the previous year's volumes were not available.

The discounting of instalment paper from large retail merchants, such as mail order houses, indicated some increase in total instalment loan volumes of a few banks. These loans, however, do not represent an over-all increase in instalment credit because they represent merely the financing by banks of paper formerly carried by the merchants or discounted in other channels.

Federal Housing Administration modernization loans have shown a considerable decrease in some sections.

Mortgage Loans in the Emergency

The mortgage and real estate problems of banks in the emergency were discussed by more than 300 bankers attending a recent clinic in Philadelphia, sponsored by the Savings Division, American Bankers Association, with the cooperation of the Department of Research in Mortgages and Real Estate Finance.

To this clinic—the second of its kind held by the Association—commercial and savings bankers, and trust men as well, brought questions they wanted answered. There were no papers, no set speeches. The sessions consisted solely of discussions of specific problems by the bankers themselves, speaking informally from the floor. Banking institutions in New Jersey, eastern Pennsylvania, Delaware, Maryland and the District of Columbia were represented.

The discussions were keyed to practical questions submitted by the banks. One general topic was considered at each session. Dr. Ernest M. Fisher, director of the Association's mortgage finance department, summarized the various viewpoints and assisted in developing the discussion as it proceeded. Roy R. Marquardt, vice-president, First National Bank, Chicago, and past president of the Savings Division, and W. W. Slocum, division vice-president and president, United Savings Bank, Detroit, were the presid-

ing officers. The Association was also represented by W. Espy Albig, division secretary, and J. R. Dunkerley, assistant secretary.

The clinic was opened by Frank G. Sayre, chairman of the committee on arrangements and vice-president, The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia. Discussion leaders were C. Barton Brewster, vice-president, Provident Trust Company, Philadelphia; Edward B. Neilan, associate trust officer, Security Trust Company, Wilmington, Delaware; E. Richard Werner, vice-president, Western Saving Fund, Philadelphia; Participants in a panel were C. F. Ellery, vice-president, Fidelity Union Trust Company, Newark, New Jersey; Dr. Fisher; Herbert O. Frey, vice-president, The Pennsylvania Company; and John J. Roe, vice-president, Hudson City Savings Bank, Jersey City.

Although the sessions were closed so as to give bankers an opportunity to talk over their problems freely, BANKING takes the liberty of noting a few of the valuable ideas, experiences and viewpoints, in the belief that other bankers will be interested. The report is fragmentary and is intended merely to suggest the trend of the discussion. All statements do not represent the consensus of the clinic.

Making New Mortgage Loans in the Emergency

BANKS should build up their mortgage portfolios during the emergency, but there are several special hazards confronting the lender at this time.

For example, there is the hazard of *over-emphasis on use of substitute materials*. Although some substitutes have proved to be better than the originals, banks would do well at this time to insist on closer inspections of new buildings during the construction period. Some tendency toward jerry-building has already been noted.

Another hazard is *over-building*. In areas where defense industries are booming and populations have greatly expanded, many new housing units are being

provided. The hazard, however, isn't in the loan, but in its effects. When the boom tapers off or terminates, unemployment is inevitable and many localities will have large numbers of unoccupied houses. In defense areas, one answer to this problem is the amortized loan. Perhaps larger amortization payments are needed, or shorter maturity of loans—say seven, eight or ten years.

The hazard of *over-valuation* may result from appraisers' giving too much attention to possible real estate price increases. However, if the appraisal is kept within conservative limits and if the loan is amortized, the risks will be kept at a minimum. Possibly some allowance should be made for expected higher prices, especially in the case of land.

There is also a hazard in the trend of advancing prices

CLINIC OPENING—left to right, Dr. Ernest M. Fisher, Frank G. Sayre, Roy R. Marquardt, W. Espy Albig





Attentive listeners

for older houses. Because of priorities and curtailment of non-defense building, prices of such dwellings are likely to rise further. The lender should study each case carefully and be guided by the rule of common sense.

The most vital problem in connection with new construction is completion. The builder must be certain that his materials will be available; he must be sure of his priorities, government regulation of which will become more stringent.

From 80 to 85 per cent of the total volume of new mortgages is represented by loans on new construction, and approximately 90 per cent of these are loans upon which advances are made during construction.

Amortization terms, as reported above, should be shortened for the duration of the emergency.

The term of the loan is less significant than the rate at which it is repaid. Amortization strengthens the position of the borrower and takes purchasing power from him, thus acting as a brake on inflation.

There is danger in following up rises in costs or prices.

Amortization is a good friend, a counter-inflation measure, but it isn't a panacea. It can save mortgage lenders from some (but not all) of the mistakes they made during the 1920's.

"Other Real Estate" and the Emergency

SPECIAL efforts should be made to dispose of "other real estate" during this period. Each institution should realistically survey its holdings and then set prices attractive to buyers.

Prospective purchasers at this time are investors and speculators. Refugees are actively buying homes in some localities.

Banks should use sales campaigns and merchandising

methods in selling real estate. Close relationships with good brokers are very helpful in this connection.

Modernization is of primary importance in moving property quickly.

In pricing "other real estate," it is well to ignore cost. Determine properties' net operating income and then sacrifice unproductive pieces or those causing an out-of-pocket drain.

It is advisable to determine what properties can't be sold, and then abandon them.

Some price flexibility is desirable.

By and large, the rule is: The price should be the figure at which the bank thinks the real estate will sell.

Properties likely to be affected adversely by conditions of the emergency include:

Old type industrial buildings; older apartment houses and residences; houses valued at \$25,000 and upwards; second-hand houses more than 10 years old in the lower price brackets; obsolete houses in old parts of cities; stores in static sections.

Consensus

Before the clinic, banks in the conference area were asked to answer several important questions. Here are partial replies on three:

Should allowance be made in appraisals for increases in the costs of building during the emergency? *Yes* 98; *No* 129.

Should banks dispose of "other real estate" during the emergency? *Yes* 217; *No* 7.

Should any attempt be made by banks to encourage prepayments or acceleration of amortization of principal during the emergency? *Yes* 202; *No* 16.



E. Richard Werner



W. W. Slocum and Edward B. Neilan



C. Barton Brewster

Management and Supervision

ON THE whole, the banks have a responsibility to extend mortgage lending to the limits of the bounds of safety. Consider each case on its merits.

Try to avoid the mistakes of the past.

Don't make poor loans or loans with too distant maturities.

Consider the location, structural soundness, and the planning of the building.

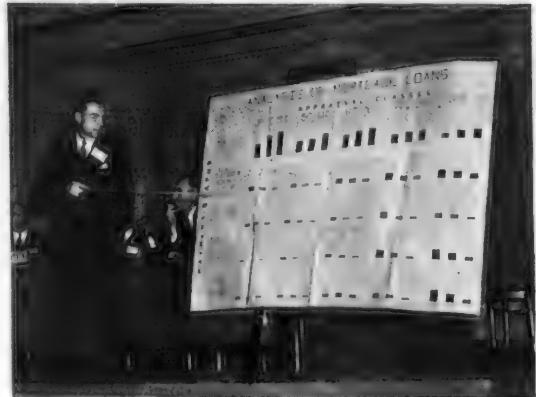
Mortgage supervision requires the same effort as management of the bond portfolio.

A flexible amortization plan should be considered.

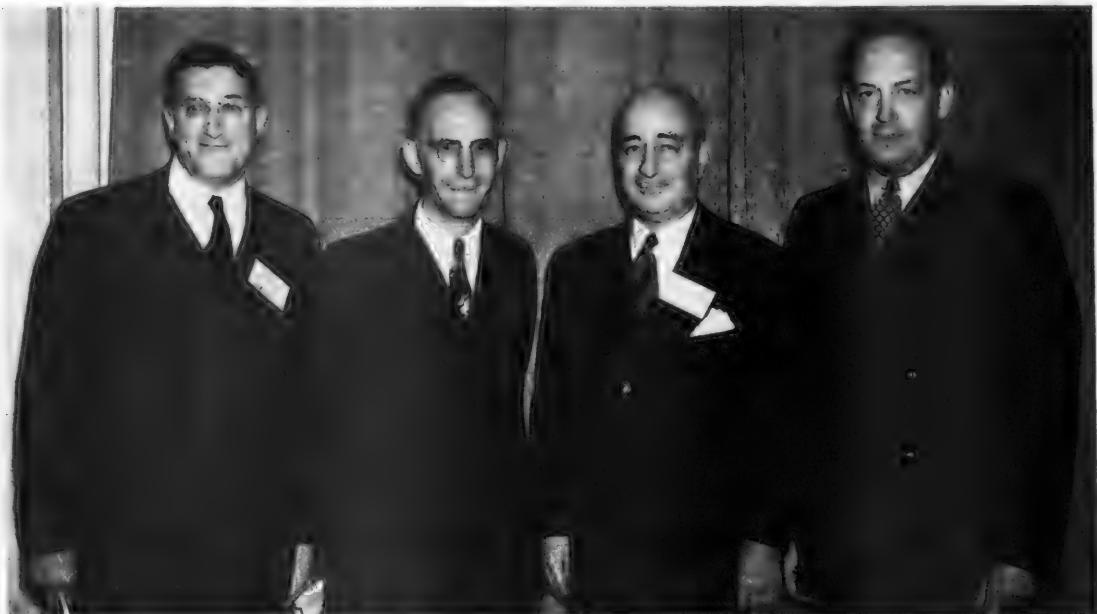
There can't be a blanket policy covering all mortgage lending. It's in handling the exceptions, the border line cases, that skill and good judgment are needed.

JOHN L. COOLEY

Panelers, left to right, Herbert O. Frey, Dr. Fisher, C. F. Ellery, John J. Roe



S. H. Anthony, assistant treasurer, Cleveland Trust Company, explains a chart



The Country Bankers

MEMBERS of the American Bankers Association have received a booklet, "I Am a Country Banker," written by Henry W. Koeneke, Association president, and president of The Security Bank of Ponca City, Ponca City, Oklahoma.

In it Mr. Koeneke emphasizes what the Association is going to do for country banks during his administration. He outlines in detail the programs of the Agricultural Credit Department, the Bank Management Commission, the Insurance and Protective Committee, the Consumer Credit Department, the committees on State and Federal Legislation, the American Institute of Banking, The Graduate School of Banking, and other activities carried on by the A.B.A.

"Through the American Bankers Association," says Mr. Koeneke, "country banking is moving forward. This year we are going to roll a long way."

Writing as a country banker, he says: "I have sometimes thought of the relationship between my bank and the A.B.A. Numerous times in the past, I have reviewed the reasons for and against my bank's continuing as an Association member. It is my firm belief that every dollar a country bank spends for membership in any organization ought to find justification in results obtained.

"A NUMBER of years ago, I was asked to do some committee work in the American Bankers Association. I took the job because it seemed reasonable to me that if my bank was to receive the greatest good from its Associa-

tion membership, I had to be willing to give some time and effort to the work of the organization. The more work I did, the greater my knowledge of Association activities became. As my knowledge of Association work increased, I came to realize more fully how much even the smallest country bank needs membership in a strong, national organization.

"CONDITIONS have become far different for a country banker in recent years than they were when I began work as a bookkeeper thirty years ago. Then, those of us in country banks, particularly if we were working under state charters, had scarcely any relationship as bankers with the Federal Government. That was even before the days of the Federal Reserve System.

"In recent years, we have had the FDIC, the RFC, the HOLC, the Farm Credit Administration, the Commodity Credit Corporation, and a host of other Federal institutions supervising, regulating, and in some cases competing with us. It makes no particular difference now whether your bank is state or national, country or city. Our business is directly related to what takes place in Washington.

"Yet that is not the only interest we country bankers have in common. Farm loan practices, bank management, personal loans, bank insurance and protection, state legislation as well as Federal legislation, and a great many other problems are ours to solve for the good of each and all of us. I am convinced that we must all put our shoulders to the wheel."

A Job in a Bank

THE jobs, salaries, working conditions, advancement prospects and problems of bank employees are the subject of the monograph, "A Job in Banking," by Joseph J. Schroeder, executive secretary, Chicago Chapter, American Institute of Banking.

Mr. Schroeder's survey is published in the "American Job Series" of Scientific Research Associates, Chicago.

The monograph explains what banking is, where bank workers find jobs, what banks do, what jobs a bank has, conditions of work, preparation for work in a bank, and the prospects for people who hold bank jobs. He goes into each of these chapter subjects simply and thoroughly, with the purpose, as the foreword states, of presenting "the facts, bitter and sweet, on which a person considering this type of career can base a decision concerning its suitability to his individual traits and ambitions."

In conclusion he says that because banking is a field that pays beginners low wages, "its turnover mounts sharply when jobs are plentiful in other lines of work."

"Many pages and junior clerks, wisely or unwisely," he continues, "are leaving the banks today in the hope of higher pay in defense work. The Selective Service Act is taking its share of the young men from banking, too. For this reason, we may expect that labor turnover in the next few years will be quite high,"

"It may be well that the banking business will never again be as large a field of work as it was in the late twenties. On the other hand, banking will undoubtedly continue to be a very large and important part of our business world. Its services are essential to the economy of our country. For that reason, banking will continue to be a very important field of employment.

"The very real possibility exists that bankers, in adjusting to new conditions, will find still new channels of work and activity that will open up employment horizons which we are not aware of today.

"To sum up, banking now offers more jobs to beginners than at any time in the last 10 years. While the Golden Age of banking prosperity may be over, there is good evidence that bank employment is on a more secure basis today than at any time in the past."

Association Aid for Farmers

DAN H. OTIS, director of the Agricultural Commission, American Bankers Association, since February 1923, died November 20. On January 1, 1942, he was to have retired. In this article, prepared by Mr. OTIS several weeks ago, is reviewed the important work done by the Commission in bringing about better banker-farmer understanding and needed agricultural adjustments.

THE Agricultural Commission of the American Bankers Association was born in 1912, the same year that marks the establishment of the Agricultural Extension Service of the United States Department of Agriculture. B. F. Harris headed a national committee of bankers who went to Washington to urge the passage of the law which inaugurated this extension movement on a national scale. Through the commission's influence many bankers over the country have helped to initiate and to maintain the county agricultural service in their respective communities.

The Agricultural Commission was reorganized in 1922-23. One representative was appointed for each Federal Reserve district. An advisory council of three members was named, consisting of a president and two deans of the colleges of agriculture. An agriculturally trained man was appointed as director to give his full time to the work of the commission.

IN order to cooperate closely with the state bankers committees on agriculture, and other interested groups, conferences were held in 1923 by Federal Reserve districts. Experience showed that these covered too wide an area and were followed the next year by state conferences, which have been continued for 18 years. These

"Active, Practical, Personal"

ANNOUNCEMENT OF Mr. OTIS's appointment as director of the Agricultural Commission was made in the February 1923 issue of the "Journal of the American Bankers Association." Included was a quotation from a statement made to the Association's Administrative Committee by Burton M. Smith, then commission chairman.

"The underlying endeavor of this commission," he said, "must continue to be a better understanding and a greater cooperation between the bank and the farmer. The banker knows how to run his bank, but often does not fully appreciate one important source from which he obtains a large amount of the money with which he conducts his business. . . .

"The work of the agricultural director will be active, practical and personal rather than desk and secretarial. He will confer with bankers and farmers throughout the country with a view of promoting better farm finance and developing more business. He will also form contacts with other organizations and activities for advancing the interests of American agriculture."



MCCLAREN

Mr. OTIS has held hundreds of conferences with the agricultural committees of state bankers associations throughout the country. Here is a picture taken at a recent conference of the Connecticut Bankers Association's committee. Seated, left to right, Director OTIS; Allen W. Holmes, Middletown, committee chairman; Ostrom Endres, Hartford, president of the association. Standing, Raymond J. Clapp, vice-director of the state extension service; G. Harold Welch, association secretary; B. Floyd Turner, Glastonbury; and Philip F. Dean, Middletown

conferences have proved especially helpful in getting the work of the agricultural committees organized. The activities of the past year are reviewed and such changes and additions as seem advisable are made and consideration given to ways and means for getting the most effective work accomplished.

Committee conferences are frequently supplemented with large banker-farmer meetings or tours where bankers within driving distance are invited and encouraged to bring farmer patrons with them. These meetings are effective in developing goodwill and good customer relations.

SPECIAL efforts have been made to bring about close working relations with the state colleges of agriculture. Agricultural short courses for bankers have been held in 26 states. In 12 states one of the annual conventions has been held at the state college of agriculture. In at least 20 states banker group meetings have featured agriculture on their program with speakers from the college staff. Many bankers have taken part in county and statewide banker-farmer tours and demonstrations in cooperation with the agricultural extension services. These have revealed the importance of farm efficiency and the lowering of production costs.

There are 38 states that have appointed county key bankers to represent the agricultural committees in their respective counties and to make contacts with extension agents and others interested. These key bankers are proving very helpful to their state committees.

MEETINGS

1. Group II - Va. Bankers Ass'n.
2. University of Georgia
3. Bunker-Farmer - Ala. Bankers Ass'n.
4. Bunker-Farmer - Fla. Bankers Ass'n.
5. Land Grant College
6. University of Maryland
7. N.C. State College of Agric.
8. Kansas State College
9. University Farm
10. Bunker-Farmer - Miss. Bankers Ass'n.
11. Bunker-Farmer - La. Bankers Ass'n.
12. University of Arkansas
13. Farm Credit School - Cornell Univ.
14. Farm Credit School - S.D. State College
15. Okla. Bankers Ass'n - Annual Agricultural Committee



The map shows the banker-farmer conference itinerary of A. G. Brown, director of the A.B.A. Agricultural Credit Department, between November 1 and mid-December. Mr. Brown's department is taking over Mr. Otis' work.

In 1928 the Agricultural Commission inaugurated a rating program based upon definite accomplishments. This has been instrumental in giving direction and stimulus to the agricultural activities of banks. The goal of 1,000 points has now been attained by 28 states. Three states have been awarded plaques for 10-year consecutive honor records. Thus far each state that has reached the 1,000-point goal has maintained it each year thereafter.

Up to March 1927 the Agricultural Commission continued the publication of the *Banker-Farmer* which was started in 1913. This was followed by the *Bulletin* which ran through 1937, or a period of 10 years. These publications carried accounts of what bankers were doing along agricultural lines, suggestions for county key bankers and others, reports on the agricultural situation, and suggestions bearing on farm credits.

In 1933 the Agricultural Commission published an illustrated book of 164 pages on "Making Farm Investments Safe." This was followed by 36-page pamphlets on "Factors Affecting Farm Credit," "Protecting Investment Values in Land," and "Crops for Safe Farming." Many of these were purchased by banks for distribution to farmer patrons. Following the first year attainment of the 1,000-point goal by any state, our commission usually prepared for publication an illustrated spread outlining the factors that made the honor record possible. During the past year arrangements were completed with the Bureau of Agricultural Economics, U. S. Department of Agriculture, for a quarterly report

on "The Agricultural Situation in Relation to Banking." This is mailed free to all bankers requesting it.

The objectives of the Agricultural Commission have been expressed as follows: (1) To promote better public and customer relationships with farmers; (2) to aid in the improvement of economic and social conditions in rural communities; (3) to foster a better understanding by bankers of the relation between agriculture and the economic welfare of the nation; and (4) to help keep banking practices adjusted to agricultural needs.

A GRATIFYING feature of the work sponsored by the Agricultural Commission is the marked and steady increase of interest in agricultural activities by bankers throughout the entire country. The reports received for 1928 show 3,034 farm people contacted by bankers in the interest of better farm practices; in 1940 there were listed 459,930 such contacts.

The experience of the Agricultural Commission for the past 19 years emphasizes the fact that rural bankers are in a strategic position to exercise an effective influence with the farmers of their community by understanding simple and fundamental good farm practices and by adjusting banking practices to changing agricultural conditions. Avoiding any attitude of trying to tell the farmer how to farm, the avowed purpose of the Agricultural Commission and the state agricultural committees has been to help in bringing about a better understanding and to assist in needed agricultural adjustments, especially as they are related to credit needs.

ORGANIZATIONS AFIELD

JOHN J. McCANN *reports on activities of national, state and local bankers' organizations.*



Pension Progress

THE NUMBER of banks participating in the NEW YORK STATE BANKERS RETIREMENT SYSTEM has increased during the past year from 65 to 70, and the number of bank officers and employees who are mem-

bers has increased from 688 to 809, according to the recent third annual report. The system, a mutual pension fund chartered by the State Insurance Department, has total assets of \$366,359 with an average yield on invested funds of 3.76 per cent. Participation costs member banks 5 per cent of payroll and for the employee—4 per cent of his salary. The system provides a pension at 65, a death benefit amounting to one-half the salary received while a member with a limit of one year, and the return of all contributions in the event employment is terminated.

Credit School

A TWO-DAY agricultural credit school will be sponsored this month by the SOUTH DAKOTA BANKERS ASSOCIATION at State College, Brookings. Attendance has been urged among member banks as a means of preparing for the vital part farm credit will be called upon to play in national defense. The sessions include featured lectures and roundtable discussions.

Correspondence Forum

THE ILLINOIS BANKERS ASSOCIATION develops a new plan to encourage exchange of ideas among members. It seems Secretary Hausman had some interesting correspondence with A. J. Lawrence, president of the Bank of Yates City, concerning methods of handling automobile and appliance instalment loans. The substance of this correspondence was reprinted in a recent general bulletin for the benefit of members faced with similar problems. The bulletin suggested that in the future new ideas on methods and systems be sent to the central office and handled in like manner. As the plan develops, association bulletins will add this correspondence forum as featured news.

Promotion

THE public relations committee of the SAVINGS BANKS ASSOCIATION OF THE STATE OF NEW YORK is organizing a \$400,000 statewide advertising campaign with \$260,000 allotted to daily and weekly newspapers, \$115,000 to radio and \$10,000 to motion pictures. Tentatively, the opening of the campaign is scheduled

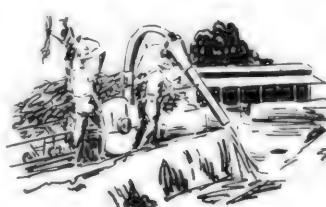
for December with a half-hour radio show on key stations featuring an institutional-educational series of the Henry Aldrich type.

I.B.A. Innovation

THE INVESTMENT BANKERS ASSOCIATION OF AMERICA announces an innovation for its 1941 convention in Hollywood, Florida. A panel representing prominent securities houses will lead a discussion on day-to-day operating problems. Behind the plan for the "How to Meet the Overhead for 1942" forum are the numerous new and basic problems confronting investment banking due to new regulations, increased taxes, the inroads of the Government into private financing, and by the decreased investment opportunities for the general public. These factors accentuate the need for sound sales ideas, still more economies in operation, operating methods which can help the business serve in the war emergency and, more important, in the post-war readjustment period.

Drafted

THE TREASURY has drafted the services of John H. Payne, secretary-treasurer of the VIRGINIA BANKERS ASSOCIATION, as deputy administrator of the Defense Savings Staff. Here is the four point program which he will follow in Virginia, and which he recommends for other groups interested in this vital work: (1) campaign for 100 per cent qualification of all members as issuing agents through the Federal Reserve; (2) establish in all qualified banks the employee payroll deduction program to give every member of the staff an opportunity of buying a share in America; (3) develop the industrial payroll deduction plan through member bank contacts in local communities; and (4) campaign the "Buy Me A Bond A Month" plan to depositors in all departments of the individual member bank. These four phases working simultaneously will accomplish the job American banking has set out to do.



Farm Aid

THE OKLAHOMA BANKERS ASSOCIATION made a special effort through county key bankers this past season to increase the value

of unusually large feed crops by encouraging the building of trench silos on small farms. A quota of two new silos per county—1,000 for the state—was set by the agricultural committee. Full instructions on the building and filling of this type of inexpensive silo were published in two interesting pamphlets and distributed throughout the state. Since every indication points to rising stock prices, this program was a worthy effort to increase the profit spread for small herd farms.

Employee Meetings

THE MICHIGAN BANKERS ASSOCIATION sponsored a series of bank employee meetings in 13 cities last month as part of its 1941-1942 public relations program. Arthur Secord of the University of Michigan and William Power of Chevrolet Motors were feature speakers at a number of the meetings. This series was held in order to encourage employees to become better acquainted, and to help them see present-day banking problems through the eyes of the public relations committee. The series was also considered a prelude to the statewide "Know Your Bank Week" to be sponsored on February 2 to 7, and the "Coming Generations Week," scheduled for April 20 to 25, 1942.

Farm Credit School

THE SECOND farm credit school, a non-profit educational project sponsored by the NEW YORK STATE BANKERS ASSOCIATION in cooperation with the New York State College of Agriculture, is being held at the college, Ithaca, December 5 and 6. The school is designed to promote among commercial bankers a wider appreciation and a more sympathetic understanding of farm credit needs throughout the state. Combined with the school this year will be a seminar for key bankers on banker-farmer relations. Lectures, panel discussions and round tables on farm financing will feature the school's five sessions.



tion plan sponsored by the Government. Instead, the association encourages its members to promote a payroll stamp plan and supplies the necessary forms without charge. The plan requires no bookkeeping and, it is said, has the added advantage of making members more "stamp minded" with the result that more E Bonds are being sold. In effect, the system works exactly like the regular payroll deduction plan except that the employee specifies the purchase of stamps which are accumulated and later converted into bonds.

Useful Information

THE MISSOURI BANKERS ASSOCIATION committee on education and public relations publishes the results of its recent survey "Request for Some Useful Information." The study contains a breakdown tabulation of answers to six questions on personal training, advertising and publicity, with a page of quoted comments and suggestions from member banks which will serve as a guide to the committee's 1942 program.

At the last annual meeting of the association, the

incoming president, Clyde D. Harris, appointed a new committee on agricultural credits to recommend a program by which member banks could meet the competition of government lending agencies, and recommend a procedure for sound agricultural loans. This committee has announced its intention to cooperate with the programs advanced by the State College of Agriculture, county agents, 4-H clubs and other farm groups. In addition, the committee intends to focus its interest chiefly on rural credits. Accordingly, it has set out to survey the problems facing member banks as the groundwork for building its 1942 program.

Interest Rates

THE MASSACHUSETTS BANKERS ASSOCIATION released last month a tabulated study of interest rates on member commercial bank time deposits. The study includes a comparative table for the years 1939, 1940 and 1941, and complete breakdown of interest policies in 13 clearinghouse groups. Other tables indicate the number of institutions contemplating interest rate revisions in the near future, the amount of balance required by banks on savings deposits, and a recapitulation of the amount on which interest is paid by banks if total balance exceeds the required amount. The study will later be supplemented by an analysis of unusual methods and procedures developed by banks in the commonwealth.

Continuing Study

THE SOUTH DAKOTA BANKERS ASSOCIATION management committee issues two new reports in its continuing study of bank operations and management.

Bulletin No. 6 covers a survey of gross incomes per officer and employee for 1940 which is offered as a formula for determining whether member banks are over-staffed. Bulletin No. 7 charts member bank disbursements percentagewise for 1940, covering investments, handling check services and other departments. Gross income distribution is also broken down for salaries, interest, general and miscellaneous expenses, and the net balance for losses, reserves and dividends.

Job Survey

CHICAGO BANK women have undertaken a survey of job opportunities for young women in the financial field. Miss Ellen L. Nyland, personal trust attorney of the First National Bank of Chicago, and past president, Illinois Women's Bar Association, heads the committee. The study will cover every position held by women in banking and finance, list the educational and personal qualifications required in each job, and will present other pertinent information for the girl interested in a financial career. The study will be distributed to schools, colleges and universities, libraries and parent organizations.

NEWS PAPER



A.I.B. Mobilizes Bank Employees For Bond Sale

268,000 to Aid Defense Financing

Nationwide mobilization of more than a quarter-million bank employees to assist the Treasury in the sale of Defense Savings Bonds and Stamps has been announced by George T. Newell, president of the American Institute of Banking, who is vice-president of the Manufacturers Trust Company, New York City.

Under the Institute's plans special Defense Bond forums and panel discussions will be held among the Institute's 421 local chapters and study groups throughout the country to provide information and instruction for the nation's 268,000 bank employees that will enable them to assist in promoting the Treasury's Defense Bond sales campaign.

Approximately 11,000 banks in all parts of the country have already qualified as issuing agencies for defense bonds and stamps and are now selling them. The Institute's defense finance meetings for bank employees are designed to supply them with complete information regarding these bonds and the methods of selling them to the public. Thus the new program completes the organizational set-up necessary for intensive promotion of the Treasury's financing and anti-inflation efforts through sale of the bonds, President Newell asserted.

The first of the nation-wide series of defense bond forums was held Nov. 3 in Rochester, N. Y., under the local sponsorship of the Rochester Chapter of the Institute.

(CONTINUED ON PAGE 93)



M. A. Brown

Committee on Priorities Headed By Mark A. Brown

Henry W. Koeneke, president of the American Bankers Association, has announced appointment of a Committee on Priorities.

The new committee will keep in touch with any situation that may develop wherein banks are affected by priorities regulations.

Its chairman is Mark A. Brown, vice-president, Harris Trust and Savings Bank, Chicago, Illinois.

The other members are W. J. Waller, vice-president, Hamilton National Bank, Washington, D. C., and Ben E. Young, vice-president, National Bank of Detroit.

2 Mortgage Clinics Set for West Coast

Two real estate mortgage clinics for the Pacific Coast are being arranged by the Savings Division of the American Bankers Association.

One is scheduled for Seattle, Feb. 19 and 20, and the other for San Francisco, Feb. 25 and 26.

The clinics are similar to those held in Cleveland and Philadelphia. Dr. Ernest M. Fisher, director of research in real estate and mortgage finance, is cooperating. Stuart (CONTINUED ON PAGE 94)

'42 Convention In Detroit

The 1942 convention of the American Bankers Association will be held in Detroit, Sept. 27-Oct. 1, with headquarters at the Book-Cadillac Hotel.

The dates for the Spring Meeting of the Executive Council are Apr. 19-22; the place is The Homestead, Hot Springs, Virginia.

Changes Made in Staff Assignments

A number of changes have been made in the assignments of staff members of the American Bankers Association. Dr. Paul F. Cadman, Association economist, has been made secretary of the Economic Policy Commission and director of the Research Council. In both posts he succeeds Gurden Edwards, who has retired because of ill health.

Robert W. Bachelor has been made Dr. Cadman's assistant in both positions.

Seelman Director of Public Relations Council

Merle E. Seelman, A.B.A. deputy manager and secretary of the Trust Division, has been appointed director of the Association's Public Relations Council.

William T. Wilson, formerly director of that council, has been named assistant secretary of the State Secretaries Section, and will also serve as director of the Public Education Committee.

J. E. Drew Joins Staff

Also, as announced in BANKING last month, J. E. Drew, for the past two years public relations director of the California (CONTINUED ON PAGE 94)

Defense Lending Shows Big Gain

Quarterly Figures Reported by A.B.A.

National defense loan commitments totaling \$1,765,584,174 as of Sept. 30 were reported by 376 banks in 146 cities in the fourth quarterly survey made by the Bank Management Commission of the American Bankers Association.

Loans outstanding on Sept. 30 amounted to \$873,389,314.

From July 1 to Sept. 30, commitments made by the reporting banks to finance national defense orders increased approximately \$465,000,000 and loans actually made rose nearly \$200,000,000.

The survey showed that 20,987 loans totaling \$802,171,848 were made between July 1 and Sept. 30, compared with 14,357 loans amounting to \$659,810,177 made between April 1 and June 30.

Defense Commitments

Further, 8,170 new commitments for defense purposes, aggregating \$672,699,314, were extended during the three months ending Sept. 30, representing an increase of about \$69,000,000.

The 376 banks reported 3,785 loan commitments for supplies and equipment totaling \$767,771,091 on Sept. 30 and 2,892 for construction work and plant facilities totaling \$633,153,609.

For working capital loans, arising out of operations of customers contributing indirectly to national defense, they had 2,369 commitments amounting to \$364,659,474.

Of the total volume of loans outstanding on Sept. 30, 78 per cent were made without assignment of contract, according to the survey.

National Banks' Net Profits Up

Moderate Rise in Year Is Shown

Net additions to profits in the national banking system were moderately higher in the year ended June 30 last, according to the annual compilation of earnings and expenses made by the National Bank Division, American Bankers Association.

"Better recoveries and profits on securities sold, together with smaller losses and depreciation, made this possible despite an increase in total expenses which practically equalled the improvement in gross earnings from current operations," said Division President W. C. Bowman in transmitting the report to the membership.

Interest on loans and discounts rose 7.7 per cent compared with the previous year. Interest and dividends on securities continued their trend by declining 2 per cent. These income sources, plus the several others including service charges which were up 8 per cent, produced gross earnings from current operations 3.1 per cent or \$26,357,000 above the earlier year.

Expense Up 4.1%

Total expenses increased \$24,149,000 or 4.1 per cent. Heaviest single increases were in salaries and wages (5.4 per cent) and in taxes other than on real estate (8 per cent). The result was a net earnings increase of 1 per cent.

Losses and depreciation amounting to \$200,500,000, cushioned by recoveries and profits on securities sold totaling \$188,266,000, cut to \$260,610,000 the net additions to profits. This equalled 7.2 per cent of total capital funds.

Mr. Bowman called attention to the fact that "the rates of return on loans and discounts, as well as securities, continued to decline. This emphasizes the necessity of a quickened effort to increase the volume of business and also to reduce operating costs."

New Holiday Ad Series Ready

The A.B.A. Advertising Department has prepared some new ad and promotion material for the holiday season.

The series includes a choice of four Christmas Club advertisements attractively illustrated a la Walt Disney—with gnomes playing about the Christmas tree—arranged around display-type headings.

There is also a four-page folder in red, white and blue, with a picture of Santa Claus wearing an Uncle Sam's hat and holding a United States Defense Bond. On the face of the folder is this message: "Make this a Merry American Christmas ***** Give U. S. Defense Bonds." The copy inside of the folder sells the idea of Defense Bonds as gifts.

An accessory of the folder is a red, white and blue wrapper, also bearing the likeness of Santa Claus. The wrapper fits around the Defense Bond envelope produced by the department some months ago and widely used by banks. It carries this greeting: "A merry American Christmas to you,"



To accumulate the cash you will need next Christmas, open a Christmas Club account at the bank and make small weekly deposits all through the coming year. Start now!

and provides space for the name of the giver.

Another folder in the holiday series is entitled "Our Pledge to You for the New Year," which pledges support to the Government in the national defense program and continued service to customers.

The department reports that orders for its "Your 1941 Income Tax" folder have exceeded early estimates. The folder is still available.

A.I.B. Mobilizes For Bond Sale

(Continued from page 92)

"This nation-wide program of the American Institute of Banking has been designed with the objective of mobilizing an army of more than a quarter-million bank people who will work in cooperation with the Treasury in its efforts to finance national defense and to curb inflation as far as possible through the sale of Defense Bonds and Stamps," Mr. Newell asserted.

"Our educational organization reaches into cities and towns in every state and thus constitutes a splendid set-up to train and encourage banking personnel in promoting the sale of the bonds for the Treasury. This, coupled with the fact that many thousands of banks in all parts of the country are now qualified issuing agents of the bonds, gives banks an out-

standing opportunity to show once again that they are American institutions doing an American job in the American way for the American people.

"The A.I.B. endorses wholeheartedly the Treasury's Defense Bond program. It is economically sound. It provides every citizen with an opportunity to participate in the defense of our nation. We are going to do all that we can to help make the program successful.

"As our forum meetings spread through the Institute's chapters from coast to coast, it is our earnest hope that we will have the full cooperation of state bankers associations, clearinghouse associations, and the Government's state committees for the sale of defense bonds and stamps."

Pictures of the bond forum at Rochester will be found on pages 37 and 80 of this issue of *BANKING*.

Trust Men and Lawyers Adopt Joint Policies

Conference Group Issues Statement

A joint national statement of policies regarding relationships between lawyers and trust institutions has been adopted by the National Conference Group, consisting of representatives of the American Bar Association and representatives of the American Bankers Association Trust Division, it was announced recently by Richard G. Stockton, president of the Trust Division.

Mr. Stockton pointed out that the interest of the public was paramount in the promulgation of this statement of policies and characterized it as a constructive and important milestone in relations between lawyers and trust institutions. He paid tribute to the fine cooperation of the attorneys in the conference group, especially their chairman, Edwin M. Otterbourg of New York.

This statement of policies was adopted by the National Conference Group in Indianapolis, Indiana, September 27, and was unanimously approved by the Executive Committee of the American Bankers Association Trust Division at its annual meeting in Chicago on September 29. On the same day it was approved in Indianapolis by the Standing Committee on Unauthorized Practice of the Law of the American Bar Association and presented as a part of its report to the House of Delegates of the American Bar Association on October 1.

The text was published in "The Trust Bulletin."

Dan H. Otis

Just as *BANKING* went to press came word that Dan H. Otis, Agricultural Commission director, died of a heart attack on Nov. 20. An outline of the Commission's work under his direction appears on page 88.

Agger Named Banking Commissioner of New Jersey by Governor Edison

Dr. Eugene E. Agger of Rutgers University, associate director of The Graduate School of Banking has been nominated by Governor Charles Edison as State Commissioner of Banking and insurance, succeeding Louis A. Reilly.

Dr. Agger, well known to bankers, has long been identified with banking education. For many years head of the money and banking faculty of New York Chapter, American Institute of Banking, he formerly taught at Columbia Uni-

of The Graduate School in 1935 and that year also was appointed assistant administrator and consultant of the Resettlement Administration under Rexford G. Tugwell, Undersecretary of Agriculture. He served as president of the New Jersey Welfare Council in 1939 and 1940.

At the Graduate School Dr. Agger lectures on banking and the Federal Reserve System. He is the author of several books on banking and contributes to periodicals.



Dr. Agger

versity, served as assistant to the president of the National City Bank of New York, and as assistant director of the Division of Analysis and Research of the Federal Reserve Board.

In 1926 he was made director of the Rutgers Bureau of Economics and Business Research.

Joined GSB in '35

He became associate director

A.B.A. Staff Changes Announced

(Continued from page 92)

Bankers Association, joins the A.B.A. staff as secretary of the Public Relations Council.

Agricultural Activities

The activities of the late Dan H. Otis, director of the Agricultural Commission, who was to have retired Jan. 1, 1942, are being dovetailed into the work of the Agricultural Credit Department, headed by Deputy Manager A. G. Brown.

The commission's rating program is to be conducted by Mrs. Effa K. Adamson, who for many years assisted Director Otis in the commission's headquarters at Madison, Wisc. Mrs. Adamson has joined the New York staff.

Farmer-Banker Activities

Here are brief summaries of plans for 1941-42 adopted by the agricultural committees of some state bankers associations for their work with farmers.

VERMONT—Revision of county key banker list. Continuation of 4-H Club work, farm accounting, pasture improvement, soil conservation projects. Agricultural credit is a major project for the year.

OHIO—Continue the budget providing awards for the Future Farmers of America judging contest and for helping pay expenses of winning 4-H Club young people to the national congress. Continue publication of special bulletins dealing with timely agricultural subjects. Through the county key bankers, encourage the holding of at least one county bankers meeting in each county with a program devoted to agriculture. Arrange one or more land-use planning tours to acquaint bankers with the significance of this work. Make special efforts to get state on the 1,000-point honor roll of the Agri-

cultural Commission, A.B.A.

PENNSYLVANIA—Continue regular projects in club work, farm accounting, soil conservation, etc. Emphasis will be placed on having agricultural sessions at group meetings and on having county key bankers and agents arrange county-wide conferences for discussion of local problems.

NEW JERSEY—Plans under way for an extension of county credit surveys. A special effort is to be made to have agricultural committee members, key bankers and county agents visit all banks that have business with farmers, acquainting these institutions with the programs of the committee and the extension service.

CONNECTICUT—Enlarge the agricultural committee so as to have one member for each county. When this organization is completed, arrange for each committeeman to work out with his county agent a program for county meetings that will consider plans for various local projects.

Mortgage Clinics

(Continued from page 92)

C. Frazier, Savings Division president and president of the Washington Mutual Savings Bank, Seattle, is in general charge of the arrangements.

An intensive study of urban real estate mortgages is planned for each clinic.

C. A. Philbrick, vice-presi-

dent, Seattle-First National Bank, is chairman of the local committee for the meetings in his city. William A. Marcus, vice-president, American Trust Co., heads the San Francisco arrangements group.

Plans for the programs for the two clinics are now being worked out and will be announced in later issues of **BANKING**.

CONVENTIONS

American Bankers Association

1942	
Feb. 3-5	Mid-Winter Trust Conference, The Waldorf-Astoria, New York City
Apr. 19-22	Spring Meeting of the Executive Council, The Homestead, Hot Springs, Virginia
June 8-12	American Institute of Banking, New Orleans
Sept. 27-Oct. 1	Annual Convention, Book-Cadillac Hotel, Detroit

Jan. 22	Illinois, Mid-Winter Conference, Chicago
May 11-13	Mississippi (Place not decided)
May 11-13	Missouri (Place not decided)
May 20-22	Illinois, St. Louis, Missouri
June 3-5	South Dakota, Cataract Hotel, Sioux Falls
June 3-7	District of Columbia, The Homestead, Hot Springs, Virginia
June 15-16	Oregon (Place not decided)
June 16-18	Wisconsin, Hotel Schroeder, Milwaukee
June 18-20	Montana, Yellowstone National Park
July 8-10	Minnesota, Hotel Duluth, Duluth

State Associations

1941	
Dec. 4-5	Bank Study Conference, University of Michigan, Ann Arbor
Dec. 5-6	Arizona, Tucson
1942	
Jan. 19	New York State, Mid-Winter Meeting, The Waldorf-Astoria, New York City
Jan. 21-22	Wisconsin, Mid-Winter Conference, Hotel Pfister, Milwaukee

Other Organizations

1941	
Nov. 30	Investment Bankers Association, Hollywood Beach Hotel, Hollywood, Florida
Dec. 5	U. S. Savings and Loan League, Miami, Florida
Dec. 11-12	Association of Life Insurance Presidents, The Waldorf-Astoria, New York City
Dec. 27-30	American Economic Association, Hotel Commodore, New York City



THE CANADIAN BANK OF COMMERCE

HEAD OFFICE - TORONTO

STATEMENT AS AT 31st OCTOBER, 1941

ASSETS

Cash on hand and due from Banks and Bankers.....	\$ 95,985,035.90
Notes of and Cheques on other Banks.....	23,221,591.21
Government and other Public Securities.....	275,084,342.01
Other Bonds and Stocks.....	12,816,524.03
Call and Short Loans (Security held of sufficient marketable value to cover).....	19,472,577.03
Deposit in Circulation Fund, held by Dominion Government.....	852,000.00
Total Quick Assets (60.20 per cent of Total Liabilities to the Public).....	427,432,070.18
Loans and Discounts (After full provision for bad and doubtful debts).....	286,567,944.15
Acceptances and Letters of Credit for Customers (See below).....	25,966,261.01
Bank Premises.....	13,946,617.59
Other Assets.....	7,495,085.18
Total Assets.....	<u><u>\$761,407,978.11</u></u>

LIABILITIES

Notes in Circulation.....	\$ 15,799,116.62
Deposits.....	668,225,251.15
Acceptances and Letters of Credit (See above).....	25,966,261.01
Total Liabilities to the Public.....	\$709,990,628.78
Capital Paid Up.....	30,000,000.00
Reserve Fund.....	20,000,000.00
Dividends declared and unpaid.....	623,187.03
Balance of Profit as per Profit and Loss Account.....	794,162.30
Total Liabilities.....	<u><u>\$761,407,978.11</u></u>

S. H. LOGAN, *President*

A. E. ARSCOTT, *General Manager*

565 Branches throughout Canada and other Countries

Branches outside Canada: SEATTLE; PORTLAND, ORE; SAN FRANCISCO; LOS ANGELES; LONDON, ENG.; HAVANA; KINGSTON, JAMAICA; BRIDGETOWN, BARBADOS; PORT OF SPAIN, TRINIDAD; BELLEGRAM AND ST. JOHN'S, NEWFOUNDLAND.

New York Agency: Exchange Place and Hanover Street

C. J. STEPHENSON
N. J. H. HODGSON
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